ATA

ATA IMS BERHAD
(formerly known as Denko Industrial Corporation Berhad)
(Company No.: 190155-M)

2018 annual report

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

DATO' SRI FOO CHEE JUAN
Executive Director cum Executive Chairman

DATO' FONG CHIU WAN
Executive Director cum Chief Executive Officer

MR. BALACHANDRAN A/L GOVINDASAMY
Executive Director cum Chief Operating Officer

MR. KOH WIN TON
Independent Non-Executive Director

MS. WONG CHIN CHIN
Independent Non-Executive Director

MR. LEE KOK JONG
Independent Non-Executive Director

COMPANY SECRETARIES

Ms. Yong May Li *(LS 0000295)*
Ms. Wong Chee Yin *(MAICSA 7023530)*
Ms. Santhi A/P Saminathan *(MIA 37094) (resigned on 29 June 2018)*

REGISTERED OFFICE

TRICOR CORPORATE SERVICES SDN BHD
Suite 1301, 13th Floor, City Plaza
Jalan Tebrau, 80300 Johor Bahru
Tel : +607-332 2088
Fax : +607-332 8096

COMPANY'S WEBSITE

www.denko.com.my

SOLICITORS

Tea, Kelvin Kang & Company
Suite 8.1, Level 8, Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bharu, Johor
Tel : +607-334 5481 / +607-331 7513
Fax : +607-334 5482 / +607-355 263 / +607-331 7517

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel : +603-2783 9299
Fax : +603-2783 9222
E-mail : is.enquiry@my.tricorglobal.com

PRINCIPAL BANKERS

Alliance Islamic Bank Berhad
AmBank (M) Berhad
CIMB Bank Berhad
Citibank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Maybank Berhad
RHB Bank Berhad

AUDITOR

KPMG PLT
Level 3, CIMB Leadership Academy
No. 3, Jalan Medini Utara 1
Medini Iskandar
79200 Iskandar Puteri, Johor
Malaysia
Tel : +607-266 2213
Fax : +607-266 2214

RSM Malaysia
Suite 16-02, Level 16, Menara Landmark
No. 12, Jalan Ngee Heng
80000 Johor Bahru, Johor
Malaysia
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Fax : +607-276 2832

Paul Hadiwinata, Hidajat, Arsono, Achmad,
Suharli & Rekan
Jl. Kebon Sirih Timur 1
No. 267, Jakarta Pusat 10340
Indonesia

CHAIRMAN'S **STATEMENT**

DEAR VALUED SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS, IT GIVES ME GREAT PLEASURE TO PRESENT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF ATA IMS BERHAD (FORMERLY KNOWN AS DENKO INDUSTRIAL CORPORATION BERHAD) FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 ("FY2018").

CORPORATE DEVELOPMENTS

During the year, the Group had successfully completed the acquisition of the Integrated Manufacturing Solutions Sdn Bhd ("IMS") Group in early February 2018. The IMS Group of companies, which also serves the same category of customers in the electrical and electronics industry, is well-established in the plastic injection moulding business in Malaysia with more than 20 years operating history. The IMS Group includes ATA Industrial (M) Sdn Bhd, Jabco Filter System Sdn Bhd and ATA Precision Engineering Sdn Bhd.

As a result of the acquisition, the Group is able to consolidate the operations and financial results of IMS Group, which resulted in a substantially larger group, both in terms of manufacturing capacity, revenue and financial results.

The Group has also changed its name to ATA IMS Berhad to better reflect the flagship company of the Group after the recently conducted EGM.

REVIEW OF PERFORMANCE

OPERATING ENVIRONMENT

The Malaysian economy registered a better than expected GDP growth of 5.9% for the calendar year 2017, compared to a 4.2% GDP growth in 2016. This strong growth rate was contributed mainly by the manufacturing, services, agriculture and construction sectors. The strengthening of crude oil prices also played a part in the improving economy as Malaysia is a net exporter of crude oil.

On the international scene, the improving US and the Asia Pacific regional economies, as well as the economic recovery in the European Union, are factors that have contributed to the global economic growth.

However, despite the positive global economic outlook for 2018, the threat of geopolitical conflicts in the Middle East and in East Asia, threat of a looming trade war between USA and China, uncertainties over the USA Trump Administration policies and the UK and EU Brexit negotiations still weigh heavily, causing cautious sentiments and downward pressures to the Global economy.

FINANCIAL REVIEW

With the moderate global economic recovery, as well as the strong Malaysian economic growth, the Group has registered a significantly improved financial performance for the financial year ended 31 March 2018, achieving a breakthrough revenue of RM2.3 billion for the first time in the Group's history, which was contributed mainly by the IMS Group, the main contribution coming from the main subsidiary, ATA Industrial (M) Sdn Bhd. The Group also achieved a Profit Before Tax of more than RM120 million.

CHAIRMAN'S **STATEMENT**
cont'd

PROSPECTS AND BUSINESS OUTLOOK

Despite a number of significant world events happening, we expect global economic growth to remain moderate but stable for the coming two years, and may also be uneven in different regional economies. However market demands and the business environment will also constantly change and remain increasingly competitive. The Group must therefore continually adapt and improve to remain competitive and overcome the challenges ahead.

In order to sustain the growth of the Group, the Board of Directors will need to re-examine the Group's business strategies and make the necessary adjustments to strengthen and build on the Group's core competencies in its manufacturing division, combined with re-investment in plant and equipment and human resources to further improve efficiency and productivity. New industrial land, factories and warehousing space has already been planned in FY 2018 and will be completed in the new financial year. Additional machinery and upgrading of manufacturing facilities will also be installed once these new factory buildings are ready. Automation and modernization will also be a key focus for the Group in the coming years.

APPRECIATION

I want to take the opportunity to welcome the newly appointed Board members in the Group, and sincerely believe that with our collective experiences and expertise, we will be able to steer the Company and Group forward.

Lastly I wish to thank our staff and management, both past and present for their dedication and contributions and my sincere appreciation to our valued customers, business associates, shareholders, financiers and the authorities for their continuous support and confidence in the ATA IMS Group. I also look forward to your continuous support for the future.

DATO' SRI FOO CHEE JUAN
Executive Chairman

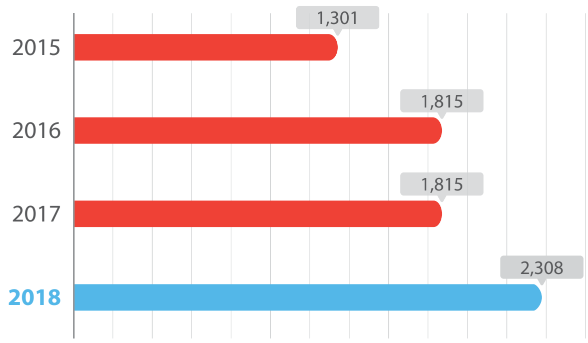
GROUP **STRUCTURE**

ATA IMS BERHAD
(formerly known as Denko Industrial Corporation Berhad)
(Co. No. 190155-M)

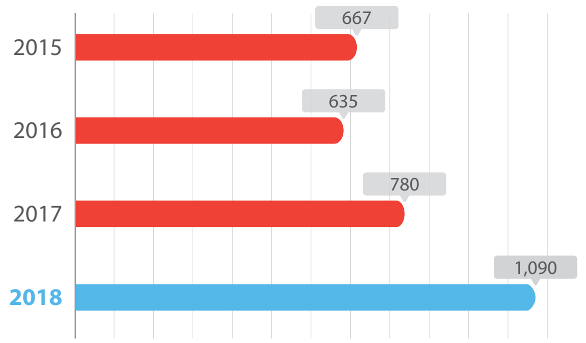
- 100% **INTEGRATED MANUFACTURING SOLUTIONS SDN BHD**
  (Co. No. 847091-K)
  - 100% **ATA Industrial (M) Sdn Bhd**
    (Co. No. 231055-D)
  - 100% **Jabco Filter System Sdn Bhd**
    (Co. No. 847090-W)
  - 100% **ATA Precision Engineering Sdn Bhd**
    (Co. No. 319068-D)
- 100% **WINSHENG PLASTIC INDUSTRY SDN BHD**
  (Co. No. 272872-M)
  - 100% **PT Winsheng Plastic and Tooling Industry**
    (Co. No. 4014042832103962)
- 100% **LEAN TEIK SOON SDN BHD**
  (Co. No. 165212-T)
- 100% **DENKO MANAGEMENT SERVICES SDN BHD**
  (Co. No. 130530-W)
- 100% **WINSHENG PLASTIC MARKETING SDN BHD**
  (Co. No. 1057840-D)

FINANCIAL **HIGHLIGHTS**

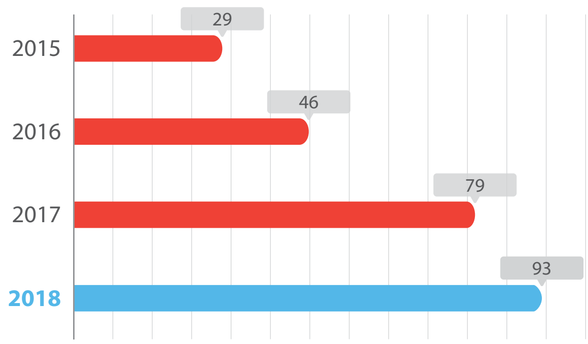
REVENUE
(RM' million)



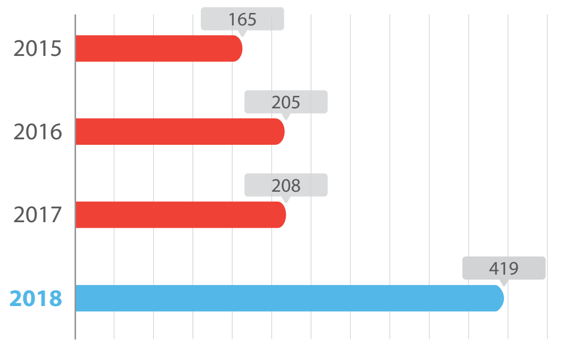
TOTAL ASSETS
(RM' million)



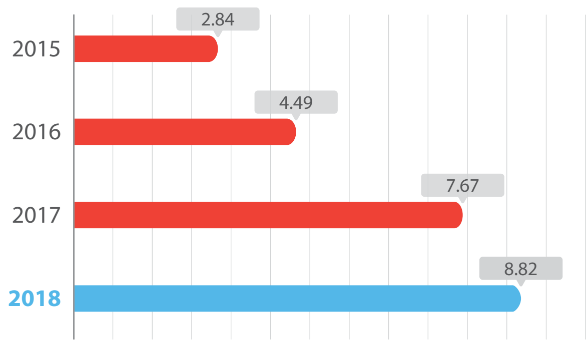
PROFIT AFTER TAX ATTRIBUTABLE TO EQUITY HOLDER
(RM' million)



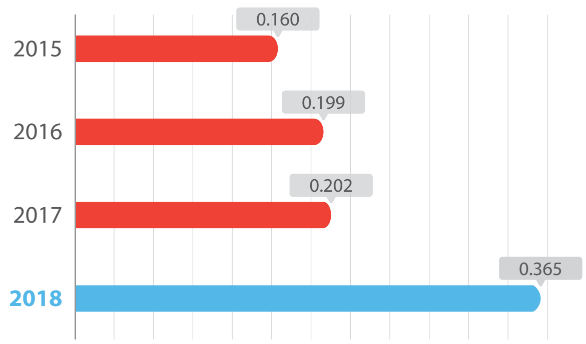
SHAREHOLDERS' FUNDS
(RM' million)



BASIC EARNINGS PER SHARE
(Sen)



NET ASSET PER SHARE
(Sen)



The financial information stated above for financial year 2015, 2016 and 2017 refer to the financial results of IMS group due to the reverse accounting as described in Note 2(a) Basis of consolidation of the Audited Financial Statements, on page 61 of this Annual Report.

PROFILE OF THE **BOARD OF DIRECTORS**

DATO' SRI FOO CHEE JUAN
Aged 56, Singaporean - Executive Director cum Executive Chairman
Gender: Male

Dato' Sri Foo Chee Juan was appointed to the Board on 21 March 2017. He graduated from the University of Oregon, United States of America, with a Degree in Bachelor of Science, major in Finance and Marketing in 1987.

Upon graduation, Dato' Sri Foo Chee Juan joined The Computer Centre as a Sales Manager before moving to ATA Industrial Pte Ltd in 1991 as a Business Development Manager. He established ATA Industrial (M) Sdn Bhd and commenced operations in 1993. He has more than 25 years of experiences in the manufacturing and sales of precision plastic injection moulded parts and assembly of electrical and electronic components and products.

Dato' Sri Foo is a director of Oregon Technology Sdn Bhd who is a substantial shareholder of the Company. He also sits on the board of several private limited companies.

DATO' FONG CHIU WAN
Aged 55, Singaporean - Executive Director cum
Chief Executive Officer (CEO)
Gender: Female

Dato' Fong Chiu Wan was appointed to the Board on 13 February 2018. She graduated from the University of Oregon, United States of America, with a Degree in Bachelor of Arts in 1987.

Upon graduation, Dato' Fong started her career with ATA Industrial Pte Ltd in 1987 as General Manager. She established ATA Industrial (M) Sdn Bhd and commenced operations in 1993.

Dato' Fong is the Group CEO, responsible for the financial, overall business development and management of ATA IMS Group.

Dato' Fong also sits on the board of several private limited companies.

BALACHANDRAN A/L GOVINDASAMY
Aged 44, Malaysian - Executive Director cum
Chief Operating Officer (COO)
Gender: Male

Mr. Balachandran A/L Govindasamy was appointed to the Board on 13 February 2018. He obtained a Diploma in Electronics from Federal Institute of Technology, Malaysia in 1995, and is a Qualified Lead Accessor after completing his training in Advanced Environment Management Systems Auditing Course in 2004. He has 23 years of work experience in the electronics manufacturing sector and has been with ATA Industrial (M) Sdn Bhd for the last 17 years.

Mr. Balachandran is the Group Chief Operating Officer responsible for the Group's operations.

KOH WIN TON
Aged 45, Malaysian - Independent Non Executive Director
Gender: Male

Mr. Koh Win Ton was appointed to the Board on 21 March 2017. He holds a Bachelor of Business (Accounting) from the University of Technology, Sydney in 1995 and he was admitted to CPA Australia on 30 June 1999 and admitted to Malaysia Institute of Accountants on 27 August 1999. In 2005, he was also admitted to Malaysia Institute of Taxation.

Mr. Koh Win Ton is a director of Opal Corporate Services Sdn Bhd and SK & Associates and has more than 20 years of experience in the accounting and tax profession as well as commercial sector in Malaysia, Singapore, Hong Kong and China. He joined one of the big four international accounting firms in 1996 and was exposed to a wide range of professional services including audit, tax and business advisory. In 1999, he joined a manufacturing company as the Financial Controller where he was responsible to oversee the internal control system as well as the finance and accounts departments. In 2001, he extended his exposure to China where he was appointed as the General Manager by a PLC in Malaysia to set up a factory in the southern part of China. In 2003, he was transferred back to Singapore to oversee the Group accounts department, and preparation of PLC's annual report as well as quarterly reporting and the internal audit function.

He joined Opal Corporate Service Sdn Bhd as a Director in 2004 and is currently in charge of the day-to-day operation of the business advisory department providing corporate secretarial services, compliance advisory, tax planning advisory, technical training services and internal audit services. In addition, he joined SK & Associates in 2009 to operate a branch office in Johor Bahru to handle audit and tax engagement.

He was appointed as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committee on 21 March 2017.

PROFILE OF THE **BOARD OF DIRECTORS**

cont'd

WONG CHIN CHIN

Aged 53, Malaysian - Independent Non Executive Director
Gender: Female

Ms. Wong Chin Chin was appointed to the Board on 21 March 2017. She holds a Bachelor of Laws (LLB.) from the University of Sydney and was admitted as a Barrister of the Supreme Court of New South Wales in 1990 and to the Malaysian Bar in 1991. She is recognised as a leading lawyer in Malaysia by Asialaw Leading Lawyers and IFLR 1000.

She has advised financial institutions, insurance companies, manufacturers, wholesalers, retailers and specialty traders, travel and leisure operators and renewable energies companies on their mergers and acquisitions. She has advised on privatisation of companies via selective capital reduction, take-over, acquisition of assets and transfer of listing status. She has also advised in the restructuring of debt via schemes of arrangements and has acted for both issuers and underwriters in initial public offerings and in the rights issue of shares and/or warrants. This includes the initial public listing of a Special Purpose Acquisition Company in the oil & gas sector and in the listing of stapled securities on the Main Market of Bursa Malaysia.

She was appointed as a member of the Audit Committee and a member of the Nominating and Remuneration Committee on 21 March 2017.

LEE KOK JONG

Aged 43, Malaysian - Independent Non Executive Director
Gender: Male

Mr. Lee Kok Jong was appointed to the Board on 24 August 2017. He holds a Bachelor of Business majoring in Accounting from Charles Sturt University, Australia in 1999. He was admitted to CPA Australia in April 2003 and subsequently, he was admitted to the Malaysian Institute of Accountants in July 2003 and to the Malaysian Institute of Taxation in 2006.

Mr. Lee commenced his career with Lo Hock Ling & Co. in Singapore in 1999 where he started as an Audit Assistant and rose to the rank of Audit Manager. He was assigned and managed the audit portfolios of various industries ranging from trading, manufacturing, service providers, investment holding, sales and marketing and information technologies.

He set up his own accountancy practice in Malaysia in the year 2005 and currently provides various services to a wide clientele including corporate secretarial services, compliance advisory and tax planning advisory services.

He was appointed as Chairman of the Nominating and Remuneration Committee and member of the Audit Committee on 24 August 2017.

Note:

Saved as disclosed, none of the Directors have:

(a) Any family relationship with any Director and/or major shareholder of the Company.
(b) Any conviction for offence (other than traffic offences) within the past 5 years.
(c) Any conflict of interest with the Company.
(d) Any other directorship in public companies and listed issuers.

PROFILE OF THE KEY SENIOR MANAGEMENT TEAM

The executive function in the Group is spearheaded by the Executive Chairman, namely Dato Sri' Foo Chee Juan and assisted by the following Directors whose profiles are included under the section on Directors' Profile on page 7 of this Annual Report.

Dato' Fong Chiu Wan - Executive Director cum Chief Executive Officer

Balachandran A/L Govindasamy - Executive Director cum Chief Operating Officer

The profiles of the other Key Senior Management members are set out below:

LIM PANG YAN

Aged 48, Malaysian - Group Financial Controller
Gender: Male

Mr. Lim joined the Group as Group Financial Controller in August 2016. Mr. Lim graduated with a degree in Accounting from the University of New South Wales, Australia in 1991. He then completed the Australian Certified Practising Accountants (CPA) programme in 1994, and is currently a member of CPA Australia and the Malaysian Institute of Accountants (MIA).

Mr. Lim started his career at Ernst & Young, Johor Bahru in 1992, and rose to the rank of Audit Senior in 1994. He left Ernst & Young and joined Halex (M) Sdn Bhd as an Accountant in 1996, and was subsequently promoted to Group Accountant in 2001. The Halex group was involved in manufacture and sales of agriculture chemicals, paper and cotton based healthcare disposable products and agriculture biotechnology. Mr. Lim was a key member of the management team which assisted Halex Holdings Bhd to be listed on the main board of Bursa Malaysia Securities Berhad in September 2009. He was subsequently appointed as an Executive Director in 2014.

Mr. Lim was engaged as a consultant by Advend Systems Group of companies in November 2015 and later as Group Financial Controller for Malaysia operations, which were principally involved in vending machine operations, before subsequently joining the group.

LOH CHOO SHIEN

Aged 44, Malaysian - Assistant General Manager, Head of Finance
Gender: Male

Mr. Loh graduated with a Bachelor Degree in Accounting from Curtin University, Australia in 1998. He went on and completed the Australian Certified Practising Accountants (CPA) programme in 2001, and is currently a member of CPA Australia and the Malaysian Institute of Accountants (MIA) since 2003.

Mr. Loh started his career with H. Law & Co., in Kota Kinabalu in 1998 specialising in Financial Audit and was sent to set up the Kuala Lumpur branch in 2001. During his tenure in Kuala Lumpur, he oversaw a group of 10 staffs and was assigned to various organisations to do business restructuring and consulting engagements.

He left H. Law & Co. and joined Precision Plastic Industries Sdn Bhd, a manufacturer of plastic parts, as an Accountant in 2003 and was promoted to Accounts and Finance Manager in 2004. Mr. Loh gained extensive experience in his role as Finance Manager in the Manufacturing environment.

Mr. Loh left Precision Plastic Industries Sdn Bhd in 2007 and joined ATA Industrial (M) Sdn Bhd as Finance Manager in January 2008 and rose to the rank of Assistant General Manager and Head of Finance in 2017. He currently is in charge of the IMS Group's day-to-day accounting and financial functions.

Note:

Saved as disclosed, none of the Senior Management Staffs have:

(a) Any family relationship with any Director and/or major shareholder of the Company.
(b) Any conviction for offence (other than traffic offences) within the past 5 years.
(c) Any conflict of interest with the Company.
(d) Any directorship in public company and listed issuers.

MANAGEMENT DISCUSSION **AND ANALYSIS**

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

History and Business

The Company was incorporated in Malaysia on 29 November 1989 under the name of Ecodynamic (M) Sdn Bhd. The Company changed its name to Denko Industrial Corporation Sdn Bhd on 7 July 1990. In October 1990, the Company was converted into a public listed company and adopted its present name. Denko was listed on the Second Board of Kuala Lumpur Stock Exchange-Bursa Malaysia on 11 April 1991 where it begins its history of expansion till today.

Major Corporate Exercises in Denko Group in FY2018

On 23 October 2017, AmInvestment Bank had, on behalf of the Board, announced that the Company had, on even date, entered into a Heads Of Agreement with Dato' Sri Foo Chee Juan and Dato' Fong Chiu Wan ("the Vendors") to acquire the entire issued share capital of Integrated Manufacturing Solutions Sdn Bhd and its subsidiaries ("IMS Group") for a purchase consideration of RM1,186,920,000 via the issuance of 1,032,104,348 new ordinary shares (which includes the granting of 925,104,348 rights of allotment of the new ordinary shares) at an issue price of RM1.15 each ("Acquisition"). The Share Sales Agreement was subsequently signed on 21 November 2017.

The "Acquisition" has been completed on 5 February 2018 following the listing of and quotation for 107,000,000 Denko Shares on the Main Market of Bursa Malaysia Securities Berhad and granting of the 925,104,348 Rights of Allotment.

Denko Group and IMS Group are both principally involved in the plastic injection moulding business serving the same category of customers in the electrical and electronics industry. The Acquisition was undertaken by Denko as part of its plastic injection moulding business expansion strategy to grow its revenue and customer base as well as to expand its production capacity which in turn will improve its financial performance.

As both Denko Group and IMS Group are involved in the similar business of plastic injection moulding, the Acquisition could enhance scale and synergies for the enlarged Denko Group through, amongst others, the increased production capacity through streamlined procurement and improved operational efficiencies to result in economies of scale, increase range of value-added services for its existing and future customers and gain better access to both debt and equity capital market to fund its current and future business activities and expansion.

Further, on 12 July 2018, to better reflect the main flagship company of the Group, an Extraordinary General Meeting was held and approved by the shareholders, to change the name of the enlarged group from Denko Industrial Corporation Berhad to ATA IMS Berhad.

MANAGEMENT DISCUSSION **AND ANALYSIS**

cont'd

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS *cont'd*

Mission and Vision

VISION

To be the Preferred ONE-Stop Solution Partner for the Electronics Manufacturing Services industry

MISSION

To deliver products and services which exceeds our customer's satisfaction in terms of cost, quality, technical competency, service level and on time delivery

PRODUCTS:

Electrical appliances
Automotive
DJ Mixer
Frame/Cover
Telecommunications
Double Colour Product
Food Grade Product
LCD TV
Medical Product
Gen Fan Spray Painting Product
Remote Control
Satellite Receiver/Digital Video

Various Processes and Capacities:

Tooling Section

Tool Fabrication Capabilities with Tool Design and Software (Pro/E, AutoCAD, UG 8.5)

Moulding Department

Facilities include single and double colour plastic injection/clean room

Secondary Process

Auto/Manual Spraying; UV printing; Multi Coloured Hot Roll/Hot Stamping; Silk Screening; Laser Marking and Heat Melting

Sub and Final Assembly

MANAGEMENT DISCUSSION **AND ANALYSIS**

cont'd

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS *cont'd*

Performance and Financial Reviews

Financial highlights of the Group's financial information for the past 4 financial years

Profit & Loss for the Financial Year Ended 31st March (RM'000)

	2015	2016	2017	2018
Revenue	1,300,612	1,814,634	1,814,769	2,308,458
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	48,584	75,059	111,433	146,007
Profit/(Loss) before Tax (PBT)	38,911	62,819	96,510	125,785
Profit/(Loss) after Tax (PAT)	29,266	46,330	79,128	92,527

Balance Sheet as at 31st March (RM'000)

	2015	2016	2017	2018
Shareholders' Funds	164,921	205,251	208,378	418,653
Total Assets	667,191	635,317	780,277	1,089,660
Net Current Assets	106,828	160,597	133,906	173,846
Total Borrowings	30,947	67,743	116,350	158,553
Cash and Bank balances	123,945	113,005	153,149	154,828
Per Share				
Earning per share (sen)	2.84	4.49	7.67	8.82
Net Assets per share (RM)	0.16	0.20	0.20	0.36
Financial Ratios				
Current Ratio (times)	1.22	1.39	1.25	1.28
EBITDA Margin (%)	3.74	4.14	6.14	6.32
Debt-to-Equity (times)	0.19	0.33	0.56	0.38
Return on Equity (%)	18	23	38	22

FINANCIAL RESULT FOR THE FINANCIAL YEAR ENDED 2018

The Group completed the corporate exercise with the acquisition of Integrated Manufacturing Solutions Sdn Bhd and its subsidiaries ("IMS Group") by Denko Industrial Corporation Berhad on 5 February 2018.

The acquisition has been accounted for using reverse accounting in accordance with MFRS 3, business combinations, whereby the IMS Group, even though had become subsidiaries of the Company following the acquisition, is regarded as the accounting acquirer, while the Company, being the legal parent, is regarded as the accounting acquiree. The consolidated financial statements also represent a continuation of the financial position, performance and cashflows of the IMS Group.

The profit and loss and other comprehensive income figures and explanations for FY2018 therefore reflects the full year results of IMS Group, and only the post acquisition results of the Company and its subsidiaries, which include Denko Industrial Corporation Berhad, Denko Management Services Sdn Bhd, Winsheng Plastic Industry Sdn Bhd and its subsidiary, Winsheng Plastic Marketing Sdn Bhd and Lean Teik Soon Sdn Bhd. The comparative figures for FY2017 reflect only the IMS Group.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

FINANCIAL RESULT FOR THE FINANCIAL YEAR ENDED 2018 *cont'd*

Revenue

The Group's Revenue for financial year 2018 surpassed the RM2 billion mark, and achieved an increase of RM493.7 million or 27.2% to RM2,308.5 million (FY2017: RM1,814.8 million). The higher revenue was mainly attributed to higher orders received for plastic components produced as well as higher demand for the electrical appliances assembled by the Group.

Profit Before Tax

The Group's Profit Before Tax had increased by RM29.3 million to RM125.8 million or 30.3% (FY2017: Profit RM96.5 million). This increase was mainly attributable to effective cost control and economies of scale arising from higher production volumes.

In line with the higher revenue, distribution costs also increased by approximately RM5.5 million or 19.6%.

Also, financing costs increased by approximately RM1.7 million due to an increase in working capital needs as well as borrowings to finance the capital expenditures.

Trade and Other Receivables

Trade and Other Receivables increased by RM109 million to RM501 million (FY2018: RM392 million). Of this amount, Trade Receivables totalled RM448 million (FY2017: RM369 million). The significant increase in Trade Receivables by RM79 million was due to the higher sales recognised in the financial year which were not due for collection as at year end.

Inventories

Included in Inventories for FY2018 was inventories of Winsheng Plastic Industry Sdn Bhd which amounted RM20 million. Without this effect, the inventories of IMS Group marginally decreased by RM6 million to RM128 million (FY2017: RM134 million).

Trade and Other Payables

The Group's trade and other payables increased by 22% to RM506 million (FY2017: RM417 million). This was mainly due to higher trade purchases to cater for higher orders during the financial year which were still outstanding as at 31 March 2018. Other payables also increased mainly due to higher amounts due to property, plant and equipment creditors.

Capital Expenditure

The Group's capital expenditures for FY2018 was RM61 million (FY2017: RM45 million) mainly arising from upgrading some of the old injection moulding machines, as well as the additions of new tooling machines.

Borrowings

Included in the Group's borrowings was RM30 million from Winsheng Plastic Industry Sdn Bhd and the remaining RM129 million (FY2017: RM116 million) refers to IMS Group which had an increase of RM13 million. The increase was primarily due to a combination of an increase in hire purchase and term loans for capital expenditures.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

REVIEW OF OPERATING ACTIVITIES

During the financial year, due to increased orders from our customers, the IMS Group continued to acquire new plant and machinery to fulfill the higher demand and ensure we meet our customers' demands. This therefore contributed to the increase in revenue and profitability. The capital expenditure requirements were made through a combination of internally generated funds and bank borrowings.

For the Denko Group, investment was made into replacing many of the old plant and machinery so that efficiency can be improved and wastages reduced. A review of the operations was also done to optimize personnel and processes to achieve operational effectiveness and instill accountability. Customers and suppliers bases were also streamlined and/or expanded to meet the Group's objectives.

ANTICIPATED RISKS

Most of the Group's assets and liabilities are denominated in Ringgit Malaysia. However, the Group is exposed to foreign currency risk from trade sales and trade purchases of the subsidiaries. The group hedges its foreign exchange risk using forward exchange contracts with its Banks as and when required. The net exposure in terms of its potential impact on both profitability and financial position of the Group is considered not material.

FORWARD-LOOKING STATEMENT

With the water-shed acquisition of the IMS Group during the financial year, the Group has significantly increased its production capacity, range of services, revenue and financial results.

With the appointed of two (2) new executive directors in February 2018, with a combined industry experience of over 40 years, the Group further heralds in a new chapter in its growth and prospects. The new Board will use their many years of industry experience to optimize available resources, chart and execute existing and new business strategies and plans to guide the Group through the next phase of business developments and growth trajectories.

Such business plans may include amongst others, the following:

(i) to optimize the utilization of the existing resources, which include assets, facilities and human resources of the Group;
(ii) to invest more into automation and modernization of production facilities and plant and machinery through innovation and stakeholder engagements, to keep abreast with or even surpass the ever changing and challenging demands of customers and competitors;
(iii) to plan and execute the business strategies of the Group, which may include further expansionary activities as well as exploring new ventures as and when the opportunity arises. Where appropriate, the Board may also implement changes deemed necessary to the corporate structure of the Group to help streamline, strengthen and grow the Group's businesses; and
(iv) to assess whether to discontinue businesses which are deemed less viable to the Group.

Moving into FY2019, apart from maintaining vigilance in the key areas of cost reduction, improving economies of scales, and reviewing opportunities for further growth via business expansion, a few of the developments already in the pipeline include:

(a) The Group had acquired a parcel of freehold land with a two (2)-storey with lower ground floor detached factory in December 2017. Once the transaction is completed in accordance with the terms of the sales and purchase agreement, the management will start to convert this property into a manufacturing facility to complement and expand the existing manufacturing facilities.

(b) The Group had also acquired a piece of freehold land measuring 5,771.78 m^2 (62,127 sq. ft.) on 16 April 2018 from Blessplus Sdn Bhd to construct a new warehouse at Kawasan Perindustrian Temenggong, Johor. The new warehouse when completed, will be a 3 storey building with a basement and having a built-up area of 10,854.5 m^2 (116,837 sq. ft.) which is able to accommodate about 5,000 pallets of inventory.

SUSTAINABILITY STATEMENT

OBJECTIVE

The Board of Directors of ATA IMS Berhad ("the Company") and its subsidiaries (collectively with the Company, "the Group") acknowledges that a business will be judged not solely on its financial performance but increasingly on its wider impact and role within the society. The Malaysia Code on Corporate Governance recommends that the Board ensures that the Group's strategies promote sustainability especially in the aspect of economic, environment and social.

As such, the Board assumes the ultimate accountability for the integration of sustainability throughout an organisation, including sustainability-related strategy and performance. The Board is committed to promote sustainability and continuously integrates it into its working environment, business processes and strategy making process within the Group.

The scope of our Sustainability Statement covers the period from 1 April 2017 to 31 March 2018 for Winsheng Plastic Industry Sdn Bhd, and 1 February to 31 March 2018 for ATA Industrial (M) Sdn Bhd, Jabco Filter System Sdn Bhd and ATA Precision Engineering Sdn Bhd. This Statement focuses on the Group's material sustainability risks and opportunities and is prepared in accordance with Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

SUSTAINABILITY PRINCIPLES

The Board is committed to be accountable and transparent in its sustainability performance, which is based upon the following principles:

- To observe and comply with all relevant legislation, regulations, recommended trade practice and code of practice applicable and relevant to the Group;
- To consider sustainability matters and integrate these considerations into the Group's business operations and when making and implementing business strategies;
- To manage sustainability matters in structured and systematic manner, whereby sustainability management is embedded throughout the Group and sustainability matters to be documented, continuously assessed and managed with reporting to the Board on scheduled interval or as and when the materiality of the sustainability matters requires such reporting;
- To continuously promote to, train and communicate with all employees, suppliers, business partners and other relevant stakeholders to ensure that they are aware of sustainability management and are committed to implement and measuring sustainability activities as part of the Group's strategy to take into consideration economic, environment, social and governance aspects;
- To continuously engage and communicate with all relevant stakeholders for the identification, assessment and management of material sustainable issues; and
- To strive to improve the Group's sustainability performance over time

SUSTAINABILITY POLICIES

The Sustainability Policies established by the Board is guided by the 17 Sustainable Development Goals ("SDGs") developed by the United Nations to address a range of social and economic development issues.

Stakeholder Engagement

The Group is not relying solely on the internal stakeholders for the sustainability identification and assessment but to a certain extent, the external stakeholders, recognising the need to satisfy both groups of stakeholders to ensure the identification and assessment are holistic.

Internal stakeholders are the investors, Board of Directors, the financiers, the management and employees. External stakeholders are the suppliers, contractors, customers, media, industry peers, academics & the scientific community, government and local authorities, non-profit organisations and public at large.

SUSTAINABILITY **STATEMENT**
cont'd

SUSTAINABILITY POLICIES *cont'd*

Materiality Assessment

Our materiality assessment process is as follows:

Stakeholder Engagement → Determine Sustainability Issues → Categorisation & Prioritization → Process Review

Engagement with stakeholders has been established as part of our Group's business practice, and is a major component of our overall sustainability process.

The main stakeholders for the Group can be summarised into the following categories:

1. Customers: regularly through face-to-face interactions, manufacturing collaborations, and customer audits.
2. Shareholders/Investors: through Annual General meetings or other shareholders meetings, Analysts briefings, and investors presentations and meetings.
3. Employees: through Induction briefings, skills and personal development programs and other on-the-job training. Yearly employee performance appraisals are also conducted for all staffs.
4. Suppliers: through regular interviews, collaboration discussions, evaluations/yearly re-evaluations.
5. Government and regulators: through on-going interactions, formal and informal meetings, and participation in government programs and initiatives.

Sustainability issues are considered material if:

- it has **significant** economic, environmental and social impacts on the Group from the organisation's point of view;
- **substantively** influence the assessments and decisions of stakeholders from the stakeholders' point of view; and
- it has significant economic, environmental and social impacts that affect the ability to meet the needs of the present and future generations.

ECONOMIC

Sustainable Economic Policies

- To ensure economic interest of all relevant stakeholders are preserved in all significant business operations and strategic business decisions; and
- To promote the economic development of the communities where the significant business operations are carried out, when making business strategy decision and when implementing business strategies.

The Group focuses its strengths on key business areas and expertise in its one stop solution from tooling design, tooling fabrication, injection moulding, spraying and final assembly, with emphasis on securing contracts that award all the processes in order to generate recurring income from completion of tooling fabrication work, to plastic parts mass production, all the way through to final assembly of finished products.

SUSTAINABILITY STATEMENT
cont'd

ECONOMIC *cont'd*

Sustainable Economic Practices

Sustainability on Economic practices could be summarised as below:

Category	Definition/Objectives
Customer satisfaction	To ensure we deliver superior quality products, value added solutions with competitive costs, and on time delivery that meet our customers' expectations. The Group continues to improve internal processes and value all feedback from customers whether positive or negative to meet customer satisfaction. Investments into modernization and automation are also ongoing to improve efficiency, minimize wastages and fulfill customers' order commitments.
Ethics and conduct	The Group has established a Code of Ethics and Conduct to set out the principles and standards by which the Group conducts and manages our business. The principle objective of the code of ethics and conduct is to define the expectations on all employees to conduct the Group's business in strict compliance to local laws and regulations, for employees to conduct themselves with integrity, diligence and full confidentiality. A whistleblowing policy has also been put in place where all employees have a channel to report inappropriate behavior.
Corporate governance	Details of the Group's Corporate Governance Overview Statement are stated on pages 23 to 36 of this Annual report.
Commitment to quality	The Group's mission is stated in our mission statement as follows: - to be the Preferred ONE-Stop Solution Partner for Electronics Manufacturing Services industry; and - to deliver products and services which exceeds our customer's satisfaction in terms of cost, quality, technical competency, service level and on time delivery.
Procurement & Spending practices	Emphasis on procurement and spending on local suppliers at significant location of operations in order to promote the local supply chain which will in turn provide a long term sustainability to the local industry and commerce. The Group will also do bulk procurement for essential materials from reputable sources at discounted prices.

ENVIRONMENT

Sustainable Environment Policies

- To comply with all guidelines and regulations relating to the preservation of environmental aspects in relevant jurisdictions where the Group is operating in;
- To avoid contamination and improve the quality of environmental management;
- To conserve the consumption of water, electricity and other natural resources in the business operations;
- To implement "Reuse, Reduce and Recycle" practise across the Group and along the value chain; and
- To ensure all materials, where possible, are sourced from sustainable, renewable or recycled means and assess and monitor external value chain partners to make sure the Group's environment objectives and procedures are complied with; and
- To protect, and proactively manage our impact on biodiversity in the ecosystems over which the Group is operating in.

SUSTAINABILITY **STATEMENT**

cont'd

ENVIRONMENT *cont'd*

Sustainable Environment Practices

The Group, through its Health, Safety and Environment Division establishes, regulates and enforces the relevant environment policies to manage its operation in a manner to minimise adverse environment impacts.

The Environment, Occupational Safety and Health (OHSAS)

The Group's continuous efforts toward good Environmental, Occupational Safety and Health management practices has resulted in the subsidiaries being accredited with ISO 14001 : 2004 (for Environmental Management System), OHSAS 18001 : 2007 (for Occupational Health and Safety Management), ISO 13485 : 2003 (for Medical Devices) and ISO 22000 : 2005 (Manufacturing of Plastic Component for Food Packaging and Food Related Equipment (indirect contact with food), ISO 9001 : 2008 (for Quality Management System) and ISO/TS 16949 : 2009 (For Automotive Part). The Group also complied with Restriction of Hazardous Substances (RoHS) requirement. All the certifications which were expiring in 2018 were successfully renewed.

Several measures are being taken by the Group to ensure productions are being conducted in an environmentally responsible manner whereby a Chemical and Waste Management Committee was formed to ensure:

- waste segregation has been done by placing different bins and scheduled wastes are properly labelled, stored at a designated area, stored within the stipulated time frame and quantity in accordance to the requirement under Environment Quality Regulations;
- waste water generated from the secondary process production are properly treated before discharged into drains; and
- chemicals and excess fuel are disposed according to environment regulation through third party;
- submission of report to the Department of Environment (DOE) on monthly basis to ensure production and waste handling is safe to environment.

The Group is also investing in upgrading its machinery and facilities which not only increase production capacity, but also improves efficiency, reduce wastage and downtime, and also utilizes less materials and/or chemicals (eg: new spray line).

Besides, all staff are encouraged to adopt energy saving and environmentally friendly measures, eg: polystyrene usage is not allow in the premises, keeping usage of paper to a minimum or on "double sided" and "on need to" basis.

Controls have been taken to monitor energy consumption usage. All lights in the production have been converted to energy saving light emitting diodes ("LED") including the signage. We had also converted to LED for all the lighting in and around our office facilities and corridors that need to be replaced. The process is on going and management intends to change all flood lights to LED. Nevertheless, action has been taken to reduce the overall energy consumed by lighting and scheduling has been done for the common areas and lobby. Management will also be initiating to switch off the air conditioners and lights during breaks and when not in use.

The Group is committed to ensuring to the best of our abilities, our manufacturing processes, especially procurement, are environmentally responsible. We aim to produce sustainable packaging for our customers, not only today but for the long term. We take into account the good environmental practices when placing orders and assist the suppliers understand our purchasing policy through suppliers purchasing charters and on-site visits and audit. There is a program to recycle and reuse our cardboard and plastic containers. Incentives are paid to our delivery staff to collect empty re-useable cartons from our customers.

SUSTAINABILITY **STATEMENT**

cont'd

SOCIAL

Sustainable Social Policies

- To ensure that all stakeholders should receive fair treatment and do not engage in or support discrimination;
- To ensure that the Group's, the suppliers' and the subcontractors' human resources are with the right to not be discriminated against, not to be enslaved and to be treated with dignity;
- To ensure that the Group, the suppliers and the subcontractors are in strict compliance of no child labour at the workplaces in accordance with applicable laws and regulations;
- To provide a safe and healthy workplace for all of its human resources, customers, suppliers, subcontractors, business partners and the public at large and all the relevant stakeholders;
- To prohibit agreements or other coordinated activities with competitors, customers or suppliers that limit competition, abuse of a dominant position, monopolisation or attempted monopolisation and concentrations between companies that may substantially lessen competition;
- To conduct its business in an open, honest and ethical manner;
- To promote development of the local communities through direct support of local communities, charitable donations and support of non-profit agencies in the communities;
- To preserve and respect local heritage and customs of the local communities;
- To work with the local authorities and government bodies for the development of conducive environment for stakeholders;
- To uphold the quality, safety and health of the Group's products and services with expected standard of legitimacy and integrity; and
- To uphold the highest standard in preserving confidentiality and privacy of information collected by us in the course of the Group's business and to ensure employees, customers and business partners receive such information to observe the confidentiality and privacy of such information.

Sustainable Social Practices

The Group focuses its social initiatives on key areas involving workplace, community and market place.

Workplace

The Group recognises that employees are important assets. We offer competitive remuneration package to our staffs and incentives to those who meet set performance targets. We apply fair labour practices and also plan and execute internal and/or external training programs for all levels of staff from time to time and as and when required.

We are committed to providing a healthy and safe working environment for all our staff. Personal Protective Equipment (safety boots, ear plugs, ear muffs and face masks) is available to all workers on a needs basis. A Health and Safety Management System is in place and this is subject to audit by Department of Occupational Safety and Health. We conduct briefings and set up signages and circular boards throughout our premises to create and reinforce the awareness on health and safety.

The Group provides Group Term Life, Group Personal Accident, Group Hospital and Surgical insurance coverage for all employees and has arranged periodic hearing tests for all workers (and workers from the supporting departments) that operate machines with high noise level. At our Johor Bahru factory, we offer our foreign worker, purpose built dormitories operated by specialists' third parties within walking distance from our factory. At these gender separated hostels, the workers are provided with clean and hygienic facilities for their cooking requirements, modern machines for their laundry, an in-house convenience retail shop and most importantly, a secure and safe living environment. Apart from enjoying modern facilities, there is minimal commuting time which means workers have more time for their own leisure, rest and recreation.

Outdoor and in-house group recreational activities, team-building sessions and dinner gatherings are held to promote staff unity, cultural integration, co-operation and team spirit. The Group continues to place high emphasis on developing its human capital, the organisation's most valuable asset.

SUSTAINABILITY **STATEMENT**
cont'd

SOCIAL *cont'd*

Sustainable Social Practices *cont'd*

Workplace *cont'd*

The measures continuously undertaken by the Group comprise the following:

Item	Activities
1.	Investing in employee development, talent recruitment and retention whereby the Group invests and providing employee training and development through in-house training courses, for all levels of employees. Where necessary, staffs may also be sent for various professional seminars and courses available outside facilitated by professionals in their respective fields.
2.	Emphasis on a healthier work life balance whereby employees' overall well-being are also an important aspect which the Group emphasises strongly. Various sports and fun activities are organised throughout the year such as weekly badminton and futsal games, participation in fun runs, night markets and movie day within the factory. Some of the Foreign workers hostels also have gym facilities and sports fields which allow the workers to participate in some recreational activities.
3.	Festival celebrations were organized for Hari Raya, Chinese New Year, Deepavali and also Christmas at our factory premises.
4.	In house clinic was provided at factory whereby a qualified doctor will be on duty during factory working day at stipulated time. All employees are eligible to visit for medical assistance.
5.	Bank Automated Teller Machine (ATM) was installed at a subsidiary's factory premises with the intention to provide convenience and safety in performing cash withdrawal by employees.
6.	Fire drill and emergency response within factory, at least yearly, fire extinguishers are fixed in strategic places and timely checks are conducted to ensure they are functioning properly.
7.	First aid and cardiopulmonary resuscitation training were held to train employees to become fully qualified First Aiders in order to provide help during emergency and to meets the Department of Occupational Safety and Health's guidelines.
8.	The Motivation and Empowerment Committee ("MEC") was established to encourage employees participate in decision making in regards to product, quality, working environment and to create innovation. E.g: Suggestion boxes are available for employees to provide feedback whereby MEC will review, analyses and subsequently forward to top management for further improvement.
9.	Recreation and Sport Club ("RSC") chaired by a non-executive staff member continued to be active. The Charter is to focus on staff welfare matters and to assist in bridging the proverbial management – employee gap.
10.	An in-house library has been set up at a dedicated area for staff to increase, improve and/or upgrade their skills and knowledge. Staffs are also allowed to borrow books to share with their family and friends
11.	Regular fogging activities are being carried out by specialist contractors as a preventive measure to prevent dengue fever infections. The 5S (Sort, Set in Order, Shine, Standardise and Sustain) team is on constant alert to seek out areas which might breed the aedes mosquitos. New foreign workers recruit are briefed on the dangers of dengue fever both at the workplace and at their hostels.

Another notable feature is the on-going implementation and maintenance of the 5S activities to create a good working environment, increase productivity, reduce costs, provide safety and eliminate wastes.

SUSTAINABILITY **STATEMENT**
cont'd

Raya Festival

Deepavali Festival

RSC – Weekly Badminton Activities

Movie day

Christmas Celebration

SUSTAINABILITY **STATEMENT**

cont'd

THE COMMUNITY

We also provide internship and practical training opportunities for college and university students to enable them to fulfill the requirement that are needed to complete their respective studies.

The Group has plans to do its best to support and help strengthen the local communities where it works through donations or charity work.

The Group has been actively involved with the National Blood Bank for the last 2 years. During the financial year, the Group continues to arrange blood donation activities held at it's premises with the intention to heighten awareness among employees about this noble act and encourage them to participate in order to contribute to society in general.

In term of labour practices, the Group also comply with the minimum wage requirements set by the Labour Department.

Blood Donation Campaign

THE MARKET PLACE

The Group regards transparency, confidentiality and integrity as important business practices in building and maintaining long term relationships with our stakeholders. We engage with our stakeholders via various communication channels such as visits to customers and suppliers, dialogue with the shareholders at the annual general meeting, timely disclosure of information to Bursa Malaysia and posting up-to-date information on the Company's website.

The Group is committed to ensure that all material information released is accurate, concise, timely and in compliance with the relevant regulatory requirements that it is subjected to.

We will continue to implement good Corporate Governance within the Group and strive to meet the expectations of our shareholders by generating profits and provide a fair return on their investment.

LOOKING FORWARD

The Board looks forward to increasing the Group's continuous awareness on economic, environment and social risks and opportunities alongside financial implications. The Board is committed to meet the Group's responsibilities to our stakeholders, employees, the community and the environment. The Group trust the importance of providing the best quality in products and services for economic benefit to shareholders, maintaining the highest standard in employee conducts whilst safeguarding environmental and adding social values, in order to generate long term benefits and business continuity.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board observes Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and ensures that the highest standards of corporate governance are practiced throughout the ATA IMS Group of companies ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group. The Board recognises the importance of good Corporate Governance and conscientiously strives to attain high business ethics and governance to the business and ensure the practice continues.

This Corporate Governance Overview Statement ("Statement") sets out how the Company has applied the three broad principles namely Board Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This Statement disclosed the principles and practices set out in the MCCG 2017 and governance standards in accordance to Main Market Listing Requirements of Bursa Securities that had been adopted by the Group.

This Statement is to be read together with the Corporate Governance Report 2018 of the Company ("CG Report") which is available on the Company's website: www.denko.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. The Board and the Board Responsibilities

The Board

The Board is charged with leading and managing the Group in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Group are managed. The Board sets the Group's values and standards and ensures that its obligations to shareholders and stakeholders are understood and met. The Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting a strategic plan for the Group, addressing the sustainability of the Group's businesses;
- overseeing the conduct of the Group's business and evaluating whether or not its businesses are being properly managed;
- identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to senior management positions are of sufficient calibre, including having in place a process to provide for the orderly succession of senior management personnel and members of the Board;
- overseeing the development and implementation of a shareholder communication policy; and
- reviewing the adequacy and integrity of the Group's internal control and management information systems.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nominating and Remuneration Committee (NRC), to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, management is responsible for instituting compliance with laws, regulations, rules, directives and guidelines, including the achievement of the Group's corporate objectives. This demarcation of roles both complements and reinforces the supervisory role of the Board.

The Board has overall responsibility for strategic planning and direction, setting the corporate goals, organising resources, monitoring the achievement of goals and identifying critical business risks. The Board assumes full responsibility for the overall performance of the Company and its subsidiaries by providing leadership and direction as well as management supervision. It also lays down the appropriate policies for managing the related risks to ensure that good internal control is in place for operational efficiency and effectiveness of the Group.

The Board has a formal schedule of matters specifically reserved to it for decision. Such matters include the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, dividend policy, expansion of core business, organisational structure, capital management, consideration of significant financial matter and monitoring the financial and operating performance of the Group. This arrangement enables the direction and control of the Group to be firmly in the Board's hand.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. The Board and the Board Responsibilities *cont'd*

Chairman

The Board is responsible for the overall strategic direction of the Group and the leadership of the Chairman is to ensure effectiveness of the Board in achieving corporate and business objectives.

The Chairman is focused more on the setting of the Group's strategic vision and direction, and on leading the Board in the oversight of management, whilst the CEO is responsible for the implementation of the Board's decisions.

The Board Chairman is responsible for:

a) Leading the Board in setting the values and standards of the Company and provide leadership for the board so that the board can perform its responsibilities effectively;
b) Maintaining a relationship of trust between the Executive and Non-Executive Directors and managing interface between board and management;
c) Ensuring effective communication with shareholders and relevant stakeholders;
d) Leading the board in establishing and monitoring good corporate governance practices;
e) Arranging regular evaluation of the performance of the Board, its Committees and individual Directors; and
f) Facilitating the effective contribution of Non-Executive Directors and ensuring collegial relationship is maintained between Executive and Non-Executive Directors.

The Chairman, in consultation with the Company Secretary, sets the agenda for Board meetings and ensures that relevant issues are on the agenda and providing the information to Directors on timely basis. Chairman also responsible in leading board meetings and discussion and encouraging active participation and allowing dissenting views to be freely expressed by board members.

CEO and Chairman

The Board adopted the Practice 1.3 of the MCCG 2017 whereby the Chairman and CEO are held by different individuals in order to promote accountability and facilitate division of responsibilities between them. While the Chairman is responsible in leading the Board towards the Group's objective, the CEO focuses on the business and day to day management of the Group.

Company Secretaries

The Board is supported by qualified Company Secretaries who are members of professional bodies and are qualified to act as company secretary under section 235(2)(a) of the Companies Act, 2016.

The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Group and Directors in relation to their duties and responsibilities.

The Company Secretaries always advise Directors of their obligations to adhere to matters relating to disclosure of interest in securities; disclosure of any conflict of interest in a transaction involving the Company and/or the Group; prohibition on dealing in securities; restrictions on disclosure of price-sensitive information; and changes in regulatory requirements that affect the Company and/or Directors in the discharge of their responsibilities.

The Company Secretaries are responsible and entrusted to record the Board's deliberations and discussion during Board or committee meeting. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings. The conclusions and the minutes of the previous Board meeting are distributed to the Board and Committee members prior to the Board meeting for their perusal before confirmation of the minutes at the commencement of the following Board meeting. The Directors may comment or request clarification before the minutes are tabled for confirmation and signed by the Chairman of the meeting as a correct record of the proceedings of the meeting.

Directors have unrestricted access to the advices and services of the Company Secretaries to enable them to discharge their duties effectively. The appointment and removal of the Company Secretaries is a matter for the Board as a whole to decide. During the financial year, the Board is satisfied with the performance and services rendered by the Company Secretaries.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. The Board and the Board Responsibilities *cont'd*

Access to Information and Advice

The Board recognises that the decision making process is highly dependent on the quality of information furnished. As such, Board members have full and unrestricted access to all information pertaining to the Group's businesses and affairs. Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

Board and Board Committees papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least five (5) business days prior to the Board and Board Committee meetings to allow the Directors sufficient time to study for effective discussion, to facilitate decision making by the Board and to deal with matters arising from such meetings. Senior management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advices and explanations on specific items on the meeting agenda. Besides direct access to management, Directors may obtain independent professional advice at the Group's expense, if considered necessary, in accordance with established procedures set out in the Board Charter in furtherance of their duties.

Board Charter

The role and function of the Board, Board Committees, which includes the differing roles of the Executive Director and Non-Executive Directors as well as the schedule of issues and decisions reserved for the Board, are clearly delineated in the Board Charter. The Board Charter is available on the Company's website at www.denko.com.my.

Code of Ethics and Conduct

The Group is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Group recognises the need to formalise and commit to ethical values through a Code of Ethics and Conduct. The Code of Ethics and Conduct is intended to apply to all employees, customers and vendors of the Group. It is to establish standards to ensure that working environments and conditions are safe and healthy, conflicts of interest are avoided, workers are treated with respect and dignity, confidentiality is observed, good personal behaviour is exhibited and business operation are conducted ethically.

The fundamental principle in adopting the Code of Ethics and Conduct is to ensure that all business activities are in full compliance with the laws, rules and regulations of the country in which it operates. If a law of the country conflicts with a rule or policy set out in the Code of Ethics and Conduct, affected personnel should comply with the law. Besides, the Code of Ethics and Conduct encourages affected personnel to go beyond legal compliance and adopt internationally recognized standards in order to advance business ethics and conduct.

The Group is open to receive input from stakeholders in the continued development and implementation of the Code of Ethics and Conduct and to adopt the best practice where possible. This Code of Ethics and Conduct is a general guide to acceptable and appropriate behavior at the company and it is not intended to be exhaustive. Therefore there may be other additional obligations that management is expected to comply when performing their duties. The Group's Code of Ethics and Conduct is available on the Company's website at www.denko.com.my.

Whistleblowing Policy

All stakeholders (Including but not limited to, employees, customers, suppliers, government bodies and financial institutions) are encouraged to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices in the Group at the earliest opportunity, and in an appropriate way. The Whistleblowing Policy is established with reference to the Whistleblower Protection Act 2010, with necessary adaptation to encourage genuine disclosure by the stakeholders. The Whistleblowing Policy is available on the Company's website at www.denko.com.my.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition

Independent Directors

The Board consists of six (6) members comprising three (3) Executive Directors, and three (3) Independent Non-Executive Directors. Therefore, the Board composition is in compliance with Paragraph 15.02(1) of the MMLR of Bursa Securities which stipulates that at least two Directors or one third of the Board, whichever is higher, must be Independent Directors and also the recommendation by the MCCG 2017 to have at least half of the Board comprises Independent Directors.

Independent Directors are independent of management, thereby ensuring independence in the Board deliberation and decision-making. Given the scope of responsibilities for managing the Group's business operations, the Board considers its current composition and size are adequate.

Tenure of Independent Directors

Practice 4.2 of the MCCG 2017 recommended that the tenure of an Independent Director does not exceed the term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director. In the event the Board intends to retain such Director as an Independent Non-Executive Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek Shareholders' approval at a general meeting, normally the Annual General Meeting of the Company.

If the Board continues to retain the Independent Director after twelfth (12) year, the Board should seek annual shareholders' approval through a two-tier voting process.

None of the Independent Non-Executive Directors has reached nine (9) years of service since their appointment and/or election as Directors as at the date of this Statement.

Board Diversity

The Board acknowledges the importance of boardroom diversity. When appointing a Director, the NRC and the Board will always evaluate and match the criteria of the candidate to the Board based on individual merits, experience, skill, competency, knowledge and potential contribution.

Gender Diversity

The Board acknowledges the MCCG 2017's call and support for gender diversity in a board's composition. The Board believes that appointment of board members, regardless of gender, should be based on experience, character, integrity and competence as these are the essential criteria for an effective Board. The position of Group CEO is currently held by a female representation, and two (2) out of the six (6) Board members are female.

Selection of Non Executive Directors

The Board refers to external professional advice and recommendations in sourcing for Independent Non Executive Directors. The Board does not solely rely on recommendations from existing board members but apply independent sources to identify suitable candidate. The Independent Non-Executive Directors are not employees and do not take part in the daily management and the day-to-day operations of the Group. However, they bring an outside perspective and assist to develop proposals on strategy, assess the performance of management in achieving goals and objectives, and monitor the risk profile of the Group's businesses. They provide independent views, advices and judgments and take into account the interests of the Group and the various stakeholders including but not limited to shareholders, employees, customers, suppliers and other communities in which the Group conducts its business, and their presence brings an additional element of balance on the Board.

Nominating and Remuneration Committee ("NRC")

The Board combined the Nominating Committee and the Remuneration Committee into the Nominating and Remuneration Committee ("NRC"). All the members in the Group's NRC consist of and is chaired by Independent Director who lead the appointment and annual evaluation of board members.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

Evaluation

The Board, through the NRC, has conducted annual evaluation of the effectiveness of individual Directors, the Board as a whole as well as the Chairman of the Board which is in line with Practice 5.1 of the MCCG 2017.

All assessment and evaluations carried out by the NRC in discharging its duties are documented in the minutes of meetings. The Board believes that, through the annual appraisal process conducted by the NRC, the Board able to possess the required mix of skills, experience and other qualities brought by Independent Non-Executive Directors which enables the Board to discharge its duties effectively in light of the challenging economic and operating environment in which the Group operates. The result of the assessment was tabled to the NRC for review. During the financial year, an evaluation was conducted by NRC and the Committee was satisfied that all the Directors had met the criteria in terms of their capacity, integrity and commitment towards the Group.

Board Meetings

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between the scheduled meetings.

The Board also met on an ad-hoc basis to deliberate urgent issues and matters that required expeditious Board direction or approval. In the intervals between Board Meetings, any matters requiring urgent Board decisions and/or approval were sought via circular resolutions which were supported with all the relevant information and explanations required for an informed decision to be made.

Time Commitment

As stipulated in the Board Charter, the Directors are required to devote sufficient time and efforts to carry out their responsibilities. The Board obtains this commitment from Directors at the time of their appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

Notwithstanding that no specific quantum of time has been fixed, all the Board members are required to notify the Board before accepting any new directorship. Any Director is, while holding office, at liberty to accept Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five public listed companies (as prescribed in Paragraph 15.06 of Listing Requirements). During the financial year under review, none of the Directors have more than five (5) directorships in listed issuers listed on Bursa Securities.

Besides, Board members are expected to achieve at least fifty percent (50%) attendance of total Board Meetings in any applicable financial year. Any leave of absence is to be notified to the Chairman and/or Company Secretaries, where applicable.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board during the financial year under review.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

Time Commitment *cont'd*

Name	Designation	Attendance	Percentage (%)
Dato' Sri Foo Chee Juan	Executive Director cum Executive Chairman	8/8	100
Grace Foo Hui Ting *(resigned on 4 August 2017)*	Non Independent Non- Executive Director	1/1	100
Dato' Fong Chiu Wan *(appointed on 13 February 2018)*	Executive Director	2/2	100
Mr. Balachandran A/L Govindasamy *(appointed on 13 February 2018)*	Executive Director	2/2	100
Koh Win Ton	Independent Non- Executive Director	8/8	100
Wong Chin Chin	Independent Non- Executive Director	8/8	100
Lee Kok Jong *(appointed on 24 August 2017)*	Independent Non- Executive Director	6/6	100

Directors' Training

The Board also oversees the training needs of its Directors. Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, especially newly appointed ones, are encouraged to visit the Group's operating centers to have an insight on the operations which would assist the Board to make effective decisions.

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, the Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates, in order to fulfill their duties as Directors. Any Director so appointed to the Board is required to complete the Mandatory Accreditation Programme ("MAP") within four months from the date of appointment. The newly appointed Directors during the financial year had attended the MAP in July 2018.

In addition, the Company Secretaries usually circulates the relevant statutory and regulatory requirements from time to time for the Board's reference and briefs the Board on the updates, where applicable. External Auditors also brief the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements for the financial year under review.

The Board will on a continuing basis evaluate and determine the training needs of each Director, particularly on relevant new laws and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

Directors' Training *cont'd*

The details of the relevant training sessions attended by each Director during the financial year under review are as follows:

Name	Training Programme	Date
Dato' Sri Foo Chee Juan	• Mandatory Accreditation Programme	27 to 28 July 2017
	• Project Management	13 to 15 September 2017
Grace Foo Hui Ting *(resigned on 4 August 2017)*	• Mandatory Accreditation Programme	27 to 28 July 2017
Dato' Fong Chiu Wan *(appointed on 13 February 2018)*	• Project Management	13 to 15 September 2017
Mr. Balachandran A/L Govindasamy *(appointed on 13 February 2018)*	• Project Management	13 to 15 September 2017
Koh Win Ton	• Mandatory Accreditation Programme	27 to 28 July 2017
	• Changes in the Listing Requirements Post-Companies Act 2016: What To Look Out for	08 February 2018
	• National Tax Conference 2017	25 July 2017
Wong Chin Chin	• Mandatory Accreditation Programme	27 to 28 July 2017
	• Driving Financial Integrity and Performance - Enhancing Financial Literacy for Audit Committees	23 May 2017
	• Global Capital Market Conference 2017: Entering a New Era	18 July 2017
	• Changes in the Listing Requirements Post-Companies Act 2016: What To Look Out for	08 February 2018
	• Continuing Professional Development for Global Legal IP ConfEx and Global Law Tech Exhibition	27 February 2018
Lee Kok Jong *(appointed on 24 August 2017)*	• Mandatory Accreditation Programme	28 to 29 September 2017
	• Changes in the Listing Requirements Post-Companies Act 2016: What To Look Out for	08 February 2018

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

Remuneration

Remuneration Policy

Practice 6.1 of the MCCG 2017 recommended to put in place policies and procedures to determine the remuneration of Directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the Company's website at www.denko.com.my.

Nominating and Remuneration Committee (NRC)

The NRC was established as the Board recognises the importance of the role the Nominating and Remuneration Committee plays not only in the selection and assessment of Directors but also in other aspects of corporate governance of which the Nominating and Remuneration Committee can assist the Board to discharge its fiduciary and leadership functions.

Appointment/Composition of the NRC

- The Nominating and Remuneration Committee members shall be appointed by the Board.
- The Nominating and Remuneration Committee shall consist of not less than three (3) members.
- The majority of the Nominating and Remuneration Committee members shall be Independent Non-Executive Directors.
- The Chairman of the Nominating and Remuneration Committee must be a Non-Executive Director and shall be appointed by the Board. In the absence of Chairman of the Nominating and Remuneration Committee, the remaining members present shall elect one of their members to chair the meeting.

As at the date of this Statement, the Nominating and Remuneration Committee comprises the following members with the meeting attendance as below:

	Designation	Meetings Attended
Chairman		
Lee Kok Jong *(appointed on 24 August 2017)*	Independent Non-Executive Director	1/1
Grace Foo Hui Ting *(resigned on 4 August 2017)*	Non Independent Non-Executive Director	None
Members		
Koh Win Ton	Independent Non-Executive Director	1/1
Wong Chin Chin	Independent Non-Executive Director	1/1

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

Remuneration *cont'd*

Nominating and Remuneration Committee (NRC)

During the financial year, the Committee carried out its duties in accordance with its terms of reference, which encompassed the following:

(a) Reviewing the profile and recommended to the Board the appointment of Executive Directors;

(b) Reviewing the profile and recommended to the Board the appointment of a Executive Director as Group CEO;

(c) Reviewing the profile and recommended to the Board the appointment of a Executive Director as Group COO;

(d) Reviewing the profile and recommended to the Board the appointment of an Independent Non-Executive Director;

(e) Recommended to the Board the appointment of an Independent Non-Executive Director as Chairman of Nominating and Remuneration Committee;

(f) Recommended to the Board the appointment of an Independent Non-Executive Directors as members of Audit Committee;

(g) Conducted the annual assessment of the effectiveness of the individual Directors, the Board as a whole as well as the Board Committees;

(h) Reviewed the composition of the Board with the view to ensure it has the required mix of skills, experience and competencies for the Group's core business;

(i) Recommended to the Board the Directors' fee payable to members of the Board and are deliberated at the Board before it is presented at the Annual General Meeting for shareholders' approval; and

(j) Reviewed and recommend the re-election and re-appointment of Directors to the Board for recommendation of the same to the shareholders for approval at AGM.

The Board is satisfied that the NRC has effectively and efficiently discharged its duties and responsibilities in respect to its nomination and remuneration functions. As such, it is not necessary to separate the nomination and remuneration functions into district nomination and remuneration committees.

The Terms of reference of the NRC is available for viewing at the Company's website at www.denko.com.my.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

Remuneration *cont'd*

Director's Remuneration

The Breakdown of the total remuneration paid or payable or otherwise made available to all Directors of the Company and the Group who served during the financial year is as follows:

Name	Designation	Fees RM'000	Salaries RM'000	Bonus RM'000	Other Emoluments RM'000	Defined Contribution RM'000	Total RM'000
Dato' Sri Foo Chee Juan	Executive Director cum Executive Chairman	-	2,161	-	120	259	2,540
Grace Foo Hui Ting *(resigned on 4 August 2017)*	Non Independent Non-Executive Director	20	-	-	-	-	20
Dato' Fong Chiu Wan *(appointed on 13 February 2018)*	Executive Director cum CEO	-	2,161	-	120	259	2,540
Mr. Balachandran A/L Govindasamy *(appointed on 13 February 2018)*	Executive Director cum COO	-	1,194	-	486	168	1,848
Koh Win Ton	Independent Non-Executive Director	50	-	-	-	-	50
Wong Chin Chin	Independent Non-Executive Director	50	-	-	-	-	50
Lee Kok Jong *(appointed on 24 August 2017)*	Independent Non-Executive Director	30	-	-	-	-	30

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

Remuneration *cont'd*

Senior Management's Remuneration

The key management of the Group who served during the financial year is listed out in the profile of key managements appearing in this Annual Report and their total remuneration fall within the following band:

Range of Remuneration (RM)	No of Key Management	
	Directors	Manager/ Financial Controller
250,000 – 300,000	-	1
300,001 – 350,000	-	1
1,800,000 – 1,850,000	1	-
2,500,000 – 2,550,000	2	-

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

Chairman of Audit Committee

The Board established the Audit Committee comprising wholly of Independent Non-Executive Directors whereby the Chairman of the Audit Committee is not the Chairman of the Board. The Audit Committee is charged with the responsibility to conduct a formal, transparent and independent review on the financial reporting, risk management, internal control and governance processes. The Committee meets periodically to carry out its functions and duties pursuant to its terms of reference and has unrestricted access to the internal and external auditors and members of the Management. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report in this Annual Report.

External Auditor Policy

The Audit Committee had established the external auditors policies and procedures with the objective to review, assess and monitor the performance, suitability and independence of external auditors as well as non-audit services to be provided by external auditors and its network firms/companies.

The Audit Committee is also empowered by the Board to review any matters concerning the appointment and reappointment, resignations or dismissals of external auditors and review and evaluate factors relating to their independence. The terms of engagement for services provided by the external auditors are reviewed by the Audit Committee prior to submission to the Board for approval.

The shareholders shall at each annual general meeting decide on the appointment or re-appointment of the external auditors of the Company, and the external auditors so appointed, shall hold office until the conclusion of the next annual general meeting of the Company.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**
cont'd

PRINCIPLE B – EFFETIVE AUDIT AND RISK MANAGEMENT *cont'd*

I. Audit Committee *cont'd*

External Auditor Policy *cont'd*

The independence of external auditors is essential to the provision of an objective opinion on the truth and fairness of the financial statements, therefore, the below policies are in place in the Group:

a) Audit Committee to obtain written assurance from the external auditors, before and at the conclusion of the audit works, confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements;
b) Ex-employees of the Group's external auditor joining the Group must be pre-approved by the Group Financial Controller for non-managerial employees or by the Audit Committee for managerial employees;
c) A former key audit partner is required to observe two (2) years cooling off period before being appointed as Audit Committee member;
d) External Audit firm's compliance with Malaysian regulations and ethical guidance relating to rotation of audit partner;
e) Seeking from the external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements;
f) Assurance from external auditors that representatives of the external auditors assigned to the engagements with the Group have no family, financial, employment, investment or any other business relationship with the Group, other than that in the normal course of business; and
g) Relationship between the Group and the external auditors including the non-audit services which was provided by the external auditors and their network companies, and expected to be provided by the external auditors. The level of fees that the Group pays in proportion to the overall fee income of the external auditors and network firms/ companies and other related regulatory requirements.

In this regard, the Audit Committee had assessed the independence of KPMG PLT as external auditors of the Company as well as reviewed the level of non-audit services rendered by KPMG PLT to the Company for the financial year under review. The Audit Committee was satisfied with the technical competency and audit independence of KPMG PLT. Having satisfied itself with the performance of and fulfillment of criteria as set out in the Non-Audit Services Policy by the external auditors, the Audit Committee recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the Company's forthcoming 29th Annual General Meeting.

II. Risk Management and Internal Control Framework

The Board regards risk management and internal controls as an integral part of the overall management processes. The following represent the key elements of the Group's risk management and internal control structure:

Recognising the importance of having risk management processes and practices, the Board had formalised a Risk Management framework to provide Management with structured policies and procedures to identify, evaluate, control, monitor and report to the Board the principal business risks faced by the Group.

The responsibilities of identifying and managing risks are delegated to the respective Head of each department. The Board and the Audit Committee are responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.

The Audit Committee assists the Board in overseeing the risk management framework of the Group and reviewing the risk management policies formulated by Management and to make relevant recommendations to the Board for approval. The detail of risk management and internal control carried out during the financial year was set out in the Statement of Risk Management and Internal Control in this Annual Report.

During the financial year, the Company has outsourced the Internal Audit Function to Needsbridge Advisory Sdn Bhd as Internal Auditors, who reports directly to the Audit Committee on the adequacy and effectiveness of the Group's internal controls. The internal audit is guided by internal auditing standards promulgated by the Institute of Internal Auditors, a globally recognised professional body for internal auditors. The Internal Audit Function is independent of the activities it audits and the scope of work it covers during the financial year under review is provided in the Audit Committee Report set out in this Annual Report.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Company recognises the importance of maintaining transparency and accountability to its Shareholders. The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders. In this regard, the Board will ensure that all the Company's shareholders and stakeholders are treated equitably and the rights of all investors, including minority shareholders, are protected.

Practice 11.0 of the MCCG 2017 recommend that there is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

The Company takes into consideration the shareholders' rights to access information relating to the Company and has thus, taken measures to enable the Company to communicate effectively with its shareholders, prospective investors, stakeholders and the public generally with the intention of giving them a clear picture of the Group's performance and operations. The Board has adopted the following measures with regard to communication with the Company's stakeholders:

1) The Company's Website

Through the Group's website at www.denko.com.my where shareholders and prospective investors can access corporate information, annual reports, press releases, financial information and company announcements of the Company. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, i.e. enquiry@denko.com.my to which stakeholders can direct their queries or concerns.

2) Investor Relations

The Board encourages other channels of communication with shareholders. For this purpose, the Board has identified Mr. Koh Win Ton as the Independent Non-Executive Director to whom queries or concerns regarding the Group may be conveyed.

Mr. Koh may be contacted via the following channels:

Address: ATA IMS Berhad (formerly known as Denko Industrial Corporation Berhad)
No. 16, Jalan Hasil Dua, Kawasan Perindustrian Jalan Hasil,
81200 Tampoi, Johor Bahru, Johor.

Telephone No. : 07-238 5333
Fax No. : 07-238 9993
Email : winton.koh@denko.com.my

3) Announcement to Bursa Securities

Information in regards to material corporate information, financial report and other updates are published on a timely basis through the Company's announcements to Bursa Securities. The Board is committed to ensure that whatever information and corporate disclosures comply with disclosure guides as stipulated in the Bursa's Listing Requirements.

4) Annual Report

The Company's Annual Reports communicate to the shareholders in relation to the Company's operations, activities and performance for the past financial year end as well as the status of compliance with applicable rules and regulations.

5) Annual General Meeting (AGM) or Extraordinary General Meeting (EGM)

The Company's AGM/EGMs serve as a platform to provide immediate and meaningful response or clarification to any question or doubt raised by shareholders.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

II. Conduct of General Meetings

The AGM, which is the principal forum for shareholders dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification as well as for the Chairman of the AGM to provide an overview of the Company's progress and receive questions from shareholders.

The Company adopted the Practice 12.1 MCCG 2017 whereby the Notice of the 29th AGM is circulated to shareholders at least twenty-eight (28) days before the date of the meeting to enable them to go through the Annual Report and papers supporting the resolutions proposed. To be in line with paragraph 8.29A of the Listing Requirements of Bursa Securities, poll voting will be used to facilitate the voting process. An independent scrutineer will be appointed to scrutinize the polling process. For the convenience of the shareholders, the Board endeavors to arrange the meeting venue to be held in one of the Group's Johor Bahru offices, which is near town, has sufficient parking and is accessible by public transport. This will not hinder the shareholders or proxies from attending the AGM.

At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. All the directors will be present at the AGM to provide better opportunity for the shareholders to engage in person with each Board member.

During the 28th AGM held last year, a question and answer session was held where the Chairman of the AGM invited shareholders to raise questions with responses from the Board. Poll voting and independent scrutineer was used to facilitate the voting process for the resolutions tabled.

KEY FOCUS AREAS AND FUTURE PRIORITIES

Looking forward for the financial year ending 2019, the Board will continue to focus on business strategic issues to ensure sustainability and growth; continue applying independent sources for the selection of suitable candidate for independent directors; and ensure the best practice of the balance, expertise and experience of the Board.

COMPLIANCE STATEMENT

The Company's Corporate Governance Overview Statement is made in compliance with Paragraphs 15.25 and 15.08A of the Listing Requirements. Save and except for those stated therein, the Board considers and is satisfied that the Company complied with the principles and practices of the MCCG 2017, the relevant chapters of the Listing Requirements on corporate governance and all applicable laws and regulations throughout the financial year under review.

This Statement was approved by the Board on 09 July 2018.

STATEMENT OF **DIRECTORS' RESPONSIBILITY**

The Board is required under paragraph 15.26(a) of the Listing Requirements to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors are responsible for ensuring that the financial statements of the Group are drawn up in accordance with the applicable Malaysian Financial Reporting Standard issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards issued by the International Accounting Standards Board, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad so as to give a true and fair view of the state of affairs of the Company and the Group for each financial year, and of the result of their operations and cash flows for the financial year then ended.

The Directors are also responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy of the financial position of the Group and Company are kept in accordance with the Companies Act 2016.

The annual financial statements are audited by external auditors in accordance to the approved standards on auditing in Malaysia and they remain independent throughout the conduct of their audit engagement. External auditors will assess accounting principles used and significant estimates made by Directors to evaluate the overall presentation of the financial statements. In preparing the audited financial statements, the Directors will make reasonable assurance that the financial statements are free of material misstatements.

The Directors also have general responsibilities for taking necessary and reasonable steps to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

This Statement was approved by the Board on 09 July 2018.

STATEMENT OF RISK MANAGEMENT **AND INTERNAL CONTROL**

INTRODUCTION

The Malaysian Code on Corporate Governance 2017 ("MCCG 2017") which superseded MCCG 2012, takes on a new approach to promote greater internalisation of corporate governance culture and requires the Board of Directors ("the Board") to maintain a sound risk management framework and internal control system to safeguard shareholders' investments and the Group's assets.

The Board is please to present the Statement on Risk Management and Internal Control ("SRMIC") for the financial year ended 31 March 2018 which is prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa") and guided by the Guideline for Directors of Listed Issuer - Statement on Risk Management and Internal Control issued by the Taskforce on Internal Control supported and endorsed by Bursa.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's risk management and internal control system to safeguard shareholders' investment and the Group's assets as well as reviewing its adequacy, integrity and effectiveness. The Board regards risk management as an integral part of the Group's business operations and affirms that the Group has in place an ongoing process for identifying, assessing, evaluating, managing and mitigating significant risks across the Group.

This involves the Board setting the policies on risk management and internal control after conducting an assessment of the Group's risks exposure. The overall control environment is established and the monitoring mechanisms are developed and implemented involving the Board of Directors, Audit Committee, Senior Executive Management and Heads of Departments ("HODs") implementing and maintaining the risk management and control system except for insurable risks, which are separately covered by insurance.

The Board endeavours to maintain an adequate system of risk management and internal control to support the Group's operations and will periodically evaluate and continue to take proactive measures to further strengthen the procedures and processes to ensure the framework remains relevant, effective and efficient.

GROUP RISK MANAGEMENT FRAMEWORK

The Group has a Risk Management Framework ("framework") in place to identify the key risks faced by the Group, the potential impact and likelihood of those risks occurring, the control effectiveness and the action plans being taken to manage those risks. Risk process has been put in place throughout the Group for the year under review and up to the date of this Annual Report. On-going reviews on the process are carried out whereby the framework was further updated to a more comprehensive structure which was then reviewed and approved by the Board on 28 May 2018. This formed the structured risk management process to manage risk to be within its risk appetite and to maximize the opportunity identified on the Group basis in order to provide reasonable assurance to achieve its objectives.

The system of internal control covers areas on financial, operational and compliance controls. In view of the inherent limitation in any system of internal control, it should be noted that such a system is designed to manage, rather than to eliminate, the risk of not achieving the Group's business objectives. The system can therefore only provide reasonable, but not to absolute assurance, against material misstatement or loss.

PRINCIPLES

The Group's attitude to risk is based on the following key principles:

(a) Philosophy

The Group will take on a level of risk that is in line with its risk appetite. The Group aims to manage the key business risks in the pursuit of returns optimization with a well-established and effective risk management process.

STATEMENT OF RISK MANAGEMENT **AND INTERNAL CONTROL**

cont'd

GROUP RISK MANAGEMENT FRAMEWORK *cont'd*

PRINCIPLES *cont'd*

(b) Culture

The Executive Chairman champions the cause of an effective risk management throughout the Group in order to achieve its risk management objectives. It is not the sole responsibility of the Executive Chairman for the management of risks but the responsibility and involvement of all employees within the Group for proper risk management practice.

The Board accepts that risk taking is part and parcel of the businesses it pursues but appreciates that effective risk management is essential to the long-term growth of the Group. Risks which may have a significant impact are identified for prompt treatment to minimise its effect to the Group.

(c) Education

The Executive Chairman is committed to promote risk awareness amongst the employees in the daily management of the business operations.

(d) Risk Ownership

The Board affirms its overall and ultimate responsibility for maintaining a sound risk management system in order for the Group to achieve its strategic, operational, reporting and compliance objectives.

The Board delegates the duty of risk management to the Executive Chairman. It is the duty of the Executive Chairman, through Sustainability Risk Management Committee ("SRMC"), oversight by AC to ensure that risk management system is implemented across all level of the Group and all key business risks are identified and managed.

The duty for managing risk at operational level lies with risk owners identified who are also responsible for carrying out an on-going process of identifying and assessment of risk, evaluating the adequacy and integrity of the controls and as well as formulating and implementing treatment plan(s) for mitigating the risks identified in line with the risk appetite of the Group.

(e) Independent Assurance

The Board will seek to obtain independent assurance through the risk owners, Executive Directors and internal audit function that the risk management and internal control system is operating effectively and in compliance with all relevant regulatory requirements.

In summary, the risk management process is coordinated with and involves all the HODs within the Group. The key features of this framework include but are not limited to:

(i) A structured process for identifying, assessing, measuring, monitoring, managing and mitigating business risks across the Group;
(ii) Determination of risk appetite and setting the Key Risks tolerance levels;
(iii) Identified risk owners are accountable for ensuring that the respective risks are continuously updated and monitored. The status of risk mitigation action plans are tracked to ensure their effective and timely implementation;
(iv) Issues highlighted by risk owners are reported; and
(v) Risk management and internal control assessment is undertaken by the outsourced Internal Audit Function. The Internal Auditor adopts a risk based approach in evaluating the financial, operational and compliance aspects of the Group. The internal audit procedures are focused on the identified key risk areas.

STATEMENT OF RISK MANAGEMENT **AND INTERNAL CONTROL**

cont'd

GROUP RISK MANAGEMENT FRAMEWORK *cont'd*

Internal Audit Function

The Audit Committee evaluates the Internal Audit Function to assess its effectiveness in the discharge of its responsibilities. The independent Internal Audit Function, which is outsourced to an independent external consultant, provides assurance to the Audit Committee through the execution of internal audit based on an approved risk-based internal audit plan. Observations from the internal audit executed are presented, together with Management's response and proposed action plans, to the Audit Committee for its review. The Group incurred RM21,000 for Internal Audit fees during the financial year.

Control Processes

Apart from the risk management and Internal Audit Functions, the Board has established the following key processes to augment the risk management and internal control system:

- Clearly defined and documented lines and limit of authority, responsibility and accountability have been established through the approved Group Financial Level of Delegated Authority Limit Manual;

- Annual business plans, strategies and budgets are presented by Senior Executive Management to the Board for review and approval;

- An organisational structure which formally defines lines of responsibilities and delegation of authority is in place;

- Quarterly financial reports with comprehensive information on financial performance and key business indicators are reviewed by the Audit Committee and approved by the Board;

- The Board and the Audit Committee meet at least once every quarter to discuss matters raised by Management and Internal Auditor on corporate and operation matters. Any potential financial and non financial risks; monitoring and control measures; and significant changes in the business and environment will be discussed;

- Operation meetings between Senior Management and HODs is conducted to address on-going operational issues and the Senior Management will report key issues to either CEO, COO or Executive Chairman for further deliberation and decision;

- Executive Chairman, CEO and COO receive and review financial reports from each business unit on monthly basis and/or when necessary;

- The Code of Ethics and Conduct is established to ensure that working environments and conditions are safe and healthy, conflicts of interest are avoided, workers are treated with respect and dignity, confidentiality is observed, good personal behaviour is exhibited and business operation are conducted ethically;

- Recruitment, staff entitlement and termination guidelines are in place and documented in Employee Handbook. Code of conduct at work and company's rules and regulations is communicated to all employees upon their employment;

- Staff training and human resource development programs are conducted to ensure that staff are kept up to date with the necessary competencies and knowledge in order to perform towards achieving the Group's objectives;

- A Whistleblowing Policy has been adopted to provide a channel for the stakeholders to raise genuine concerns or feedbacks without fear of reprisals and safeguard such person's confidentiality; protect a whistleblower from reprisal consequent for making a genuine disclosure; provide a transparent and confidential process for dealing with concerns. This policy not only covers possible improprieties in matters of financial reporting, but also fraud, corruption, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangerment of an individual's health and safety, and concealment of any.

- The Key Risk Registers are used for the identification of risk appetite, the possibility of risk occurring and the potential impacts to the Group;

- Adequate insurance coverage and physical safeguards on major assets are in place to ensure that the assets of the Group are sufficiently covered against pertinent perils that may result in material losses to the Group;

STATEMENT OF RISK MANAGEMENT **AND INTERNAL CONTROL**

cont'd

GROUP RISK MANAGEMENT FRAMEWORK *cont'd*

Control Processes *cont'd*

- Documented internal procedures and standard operating procedures are in place. Internal policies and standard operating procedures are appropriately communicated to all employees and clearly documented in manual which would be reviewed and revised when necessary;

- Internal and external quality and surveillance audits are conducted on a regular basis to ensure compliance. The external audits are conducted by assessors certified by the accreditation bodies and the following ISO Certifications at the Group's Manufacturing Divisions were renewed during the year:

  - ISO 13485:2003 Quality Management System in Medical Device;
  - ISO 14001:2004 Environmental Management System;
  - ISO 22000:2005 Manufacturing of Plastic Component for Food Packaging and Food;
  - OHSAS 18001:2007 Occupational Health and Safety Management;
  - ISO 9001:2008 Quality Management System; and
  - ISO/TS 16949:2009 Quality Specification for Automotive Industry Supply Chain.

The SRMIC does not cover the newly acquired subsidiaries during the financial year.

Review of this Statement by External Auditor

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, (previously Recommended Practice Guide 5 (Revised 2015)), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 March 2018, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Conclusion

The Board is of the view that the risk management and internal control system is satisfactory for the financial year under review and up to the date of approval of this SRMIC, and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. However, such system does not eliminate the possibility of human error, collusion, or deliberate circumvention of control procedures by employees and others.

For the financial year ended 2018 and up to the date of this SRMIC, the Board has received assurance from the Executive Chairman and Assistant General Manager that the Group's risk management and internal control system is in all material aspects, operating adequately and effectively.

This SRMIC is made in accordance with a resolution of the Board dated 09 July 2018.

AUDIT **COMMITTEE REPORT**

The Audit Committee ("Committee") of the Group is pleased to present the Audit Committee Report for the financial year ended 31 March 2018 in compliance with Paragraph 15.15 (1) of the Listing Requirements of Bursa Securities.

MEMBERS

Koh Win Ton
Chairman, Independent Non-Executive Director

Wong Chin Chin
Member, Independent Non-Executive Director

Lee Kok Jong
Member, Independent Non-Executive Director (appointed on 24 August 2017)

FORMER MEMBERS

Grace Foo Hui Ting
Member, Non-Independent Non-Executive Director (resigned on 4 August 2017)

SUMMARY OF MEETINGS

During the Financial Year, the Committee held six (6) meetings. The attendance of each member of the Committee was as follows:

Name	Designation	Meetings Attended
Chairman		
Koh Win Ton	Independent Non-Executive Director	6/6
Members		
Lee Kok Jong *(appointed on 24 August 2017)*	Non Independent Non-Executive Director	4/4
Wong Chin Chin	Independent Non-Executive Director	6/6
Former Member		
Grace Foo Hui Ting *(resigned on 4 August 2017)*	Non Independent Non-Executive Director	2/2

The Terms of Reference of the Audit Committee is available on the Company's website.

SUMMARY OF WORK OF THE AUDIT COMMITTEE

During the Financial Year, the Committee held three (3) meetings with the External Auditors and two (2) meetings with the Internal Auditors. The Committee had two (2) private session with the External Auditors without the presence of Management. In addition, the Committee also carried out its duties in accordance with its terms of reference, which encompassed the following:

(a) Reviewed the External Auditors' Audit Planning Memorandum comprising the scope of work and proposed fees for the statutory audit and approved the engagement of the External Auditors on recurring and non-recurring non-audit services;

(b) Reviewed the External Auditors' Audit Review Memorandum and Management Letter with recommendations regarding opportunities for improving internal controls based on their observations made during course of the external audit;

(c) Reviewed the Group's Quarterly Interim Financial Statements before a recommendation is made to the Board for approval;

AUDIT **COMMITTEE REPORT**

cont'd

SUMMARY OF WORK OF THE AUDIT COMMITTEE *cont'd*

(d) Reviewed the Group's annual Audited Financial Statements and confirmed with Management and External Auditors that the Audited Financial Statements have been prepared in compliance with applicable Malaysian Financial Reporting Standards;

(e) Reviewed and approved the Internal Audit Plan and assessed the Internal Audit reports and recommendations. Management's responses on the issues reported were reviewed, discussed and additional directives were given to Management as and when necessary. Ensured issues affecting internal controls are promptly addressed by Management;

(f) Undertaken an assessment and review of the area of Internal Audit as set out in paragraph 15.12(1)(e) and (f) of the Listing Requirement and report the same to the Board;

(g) Reviewed the new accounting policies adopted by the Group to ensure compliance with the applicable approved Malaysian Financial Reporting Standards;

(h) Reviewed the Group's annual Financial Budgets and Capital Expenditure Budget and recommended to the Board for approval;

(i) Reviewed the Group's updated Board Charter and Remuneration Policy and recommended to the Board for approval;

(j) Advised and reviewed the Corporate Exercise in regards to the Private Placement and acquisition by the Group of the entire equity in IMS Group via issuance of new shares and granting of Rights of Allotments, which involved meeting with relevant professional parties to ensure exercises were done in compliance to Bursa's Listing Requirement; reviewed the Circular dated 12 January 2018 and attended Extraordinary General Meeting on 29 January 2018 to seek shareholders' approval;

(k) Advised and reviewed the mandate for recurrent related party transaction dated 31 July 2017 and attended Annual General Meeting on 23 August 2017 to address issues raised by shareholders before seeking shareholders' approval;

(l) Reviewed the Sustainability Statement, Corporate Governance Overview Statement, Corporate Governance Report, Statement of Risk Management and Internal Control and the Audit Committee Report for inclusion in this Annual Report.

SUMMARY OF WORK OF THE INTERNAL AUDIT

The Internal Audit Function is disclosed in the Statement on Risk Management and Internal Control set out on page 40 of this Annual Report.

The significant activities carried out by the Internal Audit Function include but are not limited to the following:

(a) Conduct of Internal Audit, focusing on key risks faced by significant business units within the Group, based on an Internal Audit Plan presented to, and approved by, the Committee;
(b) The Internal Audit covered testing the existence and effectiveness of compliance, financial and operational controls deployed by Management to address the business risks faced by the Group;
(c) Weaknesses in the internal control system were highlighted to the Committee and Management, including recommendations for improvement and Management's response to such observations; and
(d) Follow-up on the status of implementation by Management on action plans to address the issues highlighted during the Internal Audit.

This Audit Committee Report is made in accordance with a resolution of the Board of the Directors dated 09 July 2018.

OTHER **DISCLOSURES**

UTILISATION OF PROCEEDS

The Company had under taken the following capital raising proposals during the financial year:

1) Private Placement
   - On 2 November 2017, 4,178,700 shares were issued at RM1.15 each
   - On 30 November 2017, 6,268,100 shares were issued at RM1.23 each

2) Proposed acquisition by Denko of the entire issued share capital of Integrated Manufacturing Solutions Sdn Bhd for a purchase consideration of RM1,186,920,000 via the following:

   - On 2 February 2018, an allotment of 107,000,000 new ordinary shares were issued at RM1.15 each
   - On 5 February 2018, 925,104,348 Rights of Allotment of new ordinary shares were granted at an issue price of RM1.15 each

The status of utilization of proceeds raised from the abovementioned corporate proposals as at 31 March 2018 were as follows:

Details of Utilisation	**Estimated Proceeds from and Proposed Utilization of Private Placement (RM'000)**	**Actual Proceeds from and Proposed Utilization of Private Placement (RM'000)**	**Estimated Timeframe of Utilization after completion date on 30 Nov 2017 (RM'000)**	**Utilisation as at 31 March 2018 (RM'000)**
Working capital	6,874	7,415	Within twelve (12) months	7,415
Capital expenditure	5,000	5,000	Within twelve (12) months	2,867
Estimated expenses relating to the Private Placement	140	100	Within six (6) months	100
Total	**12,014**	**12,515**		**10,382**

Audit Fees

The Audit fees payable to the External Auditors of the Company and the Group for the financial year ended 31 March 2018 were as follows:

Audit Fees	**Company (RM)**	**Group (RM)**
Messrs KPMG PLT	70,000	295,000
Other auditors	-	43,630

Non-Audit Fees

The amount of non-audit fees paid or payable to the external auditors with services rendered to the Company and the Group for the financial year ended 31 March 2018 were as follows:

Non Audit Fees	**Company (RM)**	**Group (RM)**
Other auditors – Financial and tax computation	5,280	82,992
Messrs KPMG PLT – Reporting Accountants	245,000	-
Other auditors – Financial and Tax Due Diligence	135,000	-

OTHER **DISCLOSURES**

cont'd

Material Contracts

There was no material contract entered into by the Company and/or its subsidiaries involving Directors' and/or major shareholders' interest.

Employee Share Option Scheme ("ESOS")

The Company does not have an ESOS programme.

Related Party Transactions

During the financial year ended 31 March 2018, there were Related Party Transactions entered into by subsidiaries companies which involved certain Directors. All the Related Party Transactions entered were in the ordinary course of business and were within the applicable prescribed threshold as defined under Rule 10.09 and Guidance Note No. 8/2006.

The Company is seeking shareholders' mandate for recurrent related party transactions of a revenue or trading nature pursuant to paragraph 10.09 of the Listing Requirements of Bursa Securities at the forthcoming AGM.

During the 28th AGM held on 23 August 2017, the Company obtained a shareholders' mandate for recurrent related party transactions of a revenue or trading nature between Winsheng Plastic Industry Sdn Bhd ("Winsheng") with ATA Industrial (M) Sdn Bhd ("AIM") and Jabco Filter System Sdn Bhd ("Jabco") as follows:

Transacting party within the Group	Transacting party	Nature of transactions	Shareholders' Mandate approved during the previous AGM on 23 Aug 2017	Estimated aggregate value of transactions from 24 Aug 2017 to 4th Feb 2018
Winsheng (Provider)	AIM (Recipient)	Manufacture and sales of precision plastic injection moulded parts, full assembly of electrical and electronic finished products, and mould tooling fabrication in the ordinary course of business	56,000,000	13,144,294
Winsheng (Recipient)	AIM (Provider)	Purchase of precision plastic injection moulded and assembly parts in the ordinary course of business	6,000,000	306,702
Winsheng (Provider)	Jabco (Recipient)	Manufacture and sales of precision plastic injection moulded parts in the ordinary course of business	8,000,000	1,991,468

Further to the completion of the acquisition of Integrated Manufacturing Solutions Sdn Bhd ("IMS") by the Company on 5 February 2018, AIM and Jabco had become subsidiaries of the Company and related companies to Winsheng. As such, the shareholders' mandate for the above recurrent related party transactions no longer applies from 5 February 2018 onwards.

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

DIRECTORS' **REPORT**
FOR THE YEAR ENDED 31 MARCH 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. The principal activities of its subsidiaries are disclosed in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 4 to the financial statements.

CHANGE OF NAME

On 24 July 2018, the Company changed its name from Denko Industrial Corporation Berhad to ATA IMS Berhad.

RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the year	92,527	(2,485)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Dato' Sri Foo Chee Juan
Mr. Koh Win Ton
Ms. Wong Chin Chin
Mr. Balachandran A/L Govindasamy (appointed on 13 February 2018)
Dato' Fong Chiu Wan (appointed on 13 February 2018)
Mr. Lee Kok Jong (appointed on 24 August 2017)
Ms. Grace Foo Hui Ting (resigned on 4 August 2017)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' **REPORT**

FOR THE YEAR ENDED 31 MARCH 2018

cont'd

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

		Number of ordinary shares			
Name of Directors	**Interest**	**At 1 April 2017/ date of appointment '000**	**Bought '000**	**Sold '000**	**At 31 March 2018 '000**
Company					
Dato' Sri Foo Chee Juan	Deemed[(1)]	54,561	351,595	-	406,156
Dato' Fong Chiu Wan	Direct	53,500	294,977	-	348,477
Mr. Balachandran A/L Govindasamy	Deemed[(2)]	-	103,210	-	103,210

[(1)] *Deemed interested by virtue of his equity interest in Oregon Technology Sdn. Bhd.*

[(2)] *Deemed interested by virtue of his equity interest in PP Tech Limited.*

By virtue of Dato' Sri Foo Chee Juan's and Dato' Fong Chiu Wan's substantial interest in the Company, they are also deemed to have interests in the ordinary shares of all the wholly-owned subsidiaries of the Company as disclosed in Note 4 to the financial statements.

None of the other Directors holding office at 31 March 2018 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company or of related corporations) by reason of a contract made by the Company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than sales and purchases in the ordinary course of business to/from companies in which the Directors have substantial financial interests as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

ISSUE OF SHARES

During the financial year, the Company issued:

(i) 1,032,104,348 new ordinary shares of RM1.15 each for the acquisition of subsidiaries as disclosed in Note 18 to the financial statements;

(ii) first tranche of private placement of 4,178,700 new ordinary shares at RM1.15 each; and

(iii) second and final tranche of private placement of 6,268,100 new ordinary shares at RM1.23 each.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

DIRECTORS' **REPORT**
FOR THE YEAR ENDED 31 MARCH 2018
cont'd

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount paid for insurance effected for Director and officer of the Company is RM28,630.

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

The auditors' reports on the audited financial statements of Company's subsidiaries did not contain any qualification or any adverse comments.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 March 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' **REPORT**
FOR THE YEAR ENDED 31 MARCH 2018
cont'd

SIGNIFICANT EVENT

On 5 February 2018, the Company completed its acquisition of the entire equity interest in Integrated Manufacturing Solutions ("IMS") and its subsidiaries (collectively referred to as "IMS Group") via the issuance of 1,032,104,348 new ordinary shares of the Company to the shareholders of IMS Group.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 15 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dato' Sri Foo Chee Juan
Director

Dato' Fong Chiu Wan
Director

Date: 24 July 2018

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 MARCH 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	208,978	101,469	-	-
Investments in subsidiaries	4	-	-	1,230,927	40,447
Goodwill on consolidation	5	76,414	-	-	-
Deferred tax assets	6	15	232	-	-
Total non-current assets		285,407	101,701	1,230,927	40,447
Inventories	7	147,829	133,581	-	-
Trade and other receivables	8	500,982	391,846	8,061	969
Tax recoverable		614	-	-	-
Cash and cash equivalents	9	154,828	153,149	5	14
Total current assets		804,253	678,576	8,066	983
Total assets		1,089,660	780,277	1,238,993	41,430
Equity					
Share capital	10	1,242,789	43,354	1,242,789	43,354
Reserves	10	(824,136)	165,024	(4,861)	(2,376)
Total equity		418,653	208,378	1,237,928	40,978
Liabilities					
Loans and borrowings	11	35,002	26,835	-	-
Deferred tax liabilities	6	5,598	394	-	-
Total non-current liabilities		40,600	27,229	-	-
Trade and other payables	12	506,486	417,100	1,065	452
Loans and borrowings	11	123,551	89,515	-	-
Taxation		-	5,800	-	-
Derivative financial liabilities	13	370	-	-	-
Dividend payable		-	32,255	-	-
Total current liabilities		630,407	544,670	1,065	452
Total liabilities		671,007	571,899	1,065	452
Total equity and liabilities		1,089,660	780,277	1,238,993	41,430

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue					
Goods sold		2,308,458	1,814,769	-	-
Dividend income		-	-	-	2,800
		2,308,458	1,814,769	-	2,800
Cost of goods sold		(2,146,217)	(1,671,164)	-	-
Gross profit		162,241	143,605	-	2,800
Other income		19,512	15,895	-	-
Distribution expenses		(33,597)	(28,090)	-	-
Administrative expenses		(15,577)	(12,553)	(2,479)	(784)
Other expenses		(3,504)	(20,171)	(6)	(6,646)
Results from operating activities		129,075	98,686	(2,485)	(4,630)
Finance income		2,895	2,281	-	-
Finance costs		(6,185)	(4,457)	-	-
Net finance costs		(3,290)	(2,176)	-	-
Profit/(Loss) before tax		125,785	96,510	(2,485)	(4,630)
Tax expense	14	(33,258)	(17,382)	-	-
Profit/(Loss) for the year	15	92,527	79,128	(2,485)	(4,630)
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operation/**Other comprehensive income for the year, net of tax**		195	-	-	-
Total comprehensive income/(expense) for the year		92,722	79,128	(2,485)	(4,630)
Basic earnings per ordinary share (sen)	16	8.82	7.67		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 MARCH 2018

		Attributable to owners of the Company					
		Non-distributable				Distributable	
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Exchange fluctuation reserve RM'000**	**Reverse accounting reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 April 2016		41,788	1,566	-	(37,154)	199,051	205,251
Profit and total comprehensive income for the year		-	-	-	-	79,128	79,128
Transfer in accordance with Section 618(2) of the Companies Act 2016	10	1,566	(1,566)	-	-	-	-
Dividends to the previous shareholders of the subsidiaries		-	-	-	-	(76,001)	(76,001)
At 31 March 2017/ 1 April 2017		43,354	-	-	(37,154)	202,178	208,378
Foreign currency translation differences for foreign operation/**Total other comprehensive income for the year**		-	-	195	-	-	195
Profit for the year		-	-	-	-	92,527	92,527
Total comprehensive income for the year		-	-	195	-	92,527	92,722
Contributions by and distributions to owners of the Company							
Issued for cash under private placements	10	12,515	-	-	-	-	12,515
Issued pursuant to acquisition of subsidiaries	10	1,186,920	-	-	(1,067,282)	-	119,638
Total transactions with owners of the Company		1,199,435	-	-	(1,067,282)	-	132,153
Dividends to the previous shareholders of a subsidiary		-	-	-	-	(14,600)	(14,600)
At 31 March 2018		1,242,789	-	195	(1,104,436)	280,105	418,653

The accompanying notes form an integral part of the financial statements.

STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 MARCH 2018

		Attributable to owners of the Company			
		Non-distributable		Distributable	
	Note	Share capital RM'000	Share premium RM'000	Retained earnings/ (Accumulated losses) RM'000	Total equity RM'000
Company					
At 1 April 2016		41,788	1,566	2,254	45,608
Loss and total comprehensive expense for the year		-	-	(4,630)	(4,630)
Transfer in accordance with Section 618(2) of the Companies Act 2016	10	1,566	(1,566)	-	-
At 31 March 2017/1 April 2017		43,354	-	(2,376)	40,978
Loss and total comprehensive expense for the year		-	-	(2,485)	(2,485)
Contributions by and distributions to owners of the Company					
Issued for cash under private placements	10	12,515	-	-	12,515
Issued pursuant to acquisition of subsidiaries	10	1,186,920	-	-	1,186,920
Total transactions with owners of the Company		1,199,435	-	-	1,199,435
At 31 March 2018		1,242,789	-	(4,861)	1,237,928

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF **CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2018

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash flows from operating activities				
Profit/(Loss) before tax	125,785	96,510	(2,485)	(4,630)
Adjustments for:				
Bad debts written off	-	61	-	-
Depreciation	14,037	10,466	-	-
Fair value loss on derivative instruments	370	-	-	-
Finance costs	6,185	4,457	-	-
Finance income	(2,895)	(2,281)	-	-
Dividend income	-	-	-	(2,800)
(Reversal of)/Impairment loss on:				
- Trade receivables	(1,060)	-	-	-
- Investment in subsidiaries	-	-	-	6,642
Gain on disposal of property, plant and equipment	(184)	(13)	-	-
Unrealised loss on foreign exchange	1,138	17,125	-	-
Inventories:				
- Reversal of slow moving	(2,621)	(282)	-	-
- Written down to net realisable value	276	-	-	-
Operating profit/(loss) before changes in working capital	141,031	126,043	(2,485)	(788)
Changes in inventories	5,952	(16,037)	-	-
Changes in trade and other receivables	(70,602)	(55,920)	(7,091)	1,992
Changes in trade and other payables	34,496	37,012	613	(4,013)
Cash generated from/(used in) operations	110,877	91,098	(8,963)	(2,809)
Tax paid	(37,250)	(18,132)	-	-
Net cash from/(used in) operating activities	73,627	72,966	(8,963)	(2,809)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF **CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2018

cont'd

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	17	(31,789)	(25,718)	-	-
Proceeds from disposal of property, plant and equipment		184	15	-	-
Change in pledged deposits		(186)	(12,479)	-	-
Dividend received		-	-	-	2,800
Share issue expenses		-	-	(3,561)	-
Acquisition of subsidiary, net of cash and cash equivalents acquired	18	3,108	-	-	-
Interest received		2,895	2,281	-	-
Net cash (used in)/from investing activities		(25,788)	(35,901)	(3,561)	2,800
Cash flows from financing activities					
(Repayment of)/Proceeds from term loans		(1,113)	14,344	-	-
Proceeds from short term borrowings		10,438	34,939	-	-
Repayment of finance lease liabilities		(3,585)	(10,480)	-	-
Dividends paid by the subsidiaries to the previous shareholders		(46,855)	(43,746)	-	-
Proceeds from private placement of shares		-	-	12,515	-
Interest paid		(6,185)	(4,457)	-	-
Net cash (used in)/from financing activities		(47,300)	(9,400)	12,515	-
Net increase/(decrease) in cash and cash equivalents		539	27,665	(9)	(9)
Effect of exchange rate fluctuation on cash held		(2)	-	-	-
Cash and cash equivalents at 1 April		128,641	100,976	14	23
Cash and cash equivalents at 31 March		129,178	128,641	5	14

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits	26,712	26,303	-	-
Less: Pledged deposits	(24,694)	(24,508)	-	-
	2,018	1,795	-	-
Cash and bank balances	128,116	126,846	5	14
Bank overdraft	(956)	-	-	-
	129,178	128,641	5	14

NOTES TO THE **FINANCIAL STATEMENTS**

ATA IMS Berhad (formerly known as Denko Industrial Corporation Berhad) is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
No. 16, Jalan Hasil Dua
Kawasan Perindustrian Jalan Hasil
81200 Tampoi
Johar Bahru
Johor

Registered office
Suite 1301, 13th Floor
City Plaza, Jalan Tebrau
80300 Johar Bahru
Johor

The consolidated financial statements of the Company as at and for the financial year ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group Entities"). The financial statements of the Company as at and for the financial year ended 31 March 2018 do not include other entities

The principal activity of the Company consists of investment holding. The principal activities of its subsidiaries are disclosed in Note 4.

These financial statements were authorised for issue by the Board of Directors on 24 July 2018.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

1. BASIS OF PREPARATION *cont'd*

(a) Statement of compliance *cont'd*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial year when the above standards, amendments and interpretations become effective.

The initial application of these standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Company upon their first adoption except as mentioned below:

(i) *MFRS 15, Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate,* IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

Currently, the Group recognises revenue from contracts with customers upon risks and rewards of ownership have been transferred to the customers. Under MFRS 15, the Group recognises revenue from contracts with customers when a performance obligation is satisfied, which is when control of the goods underlying the particular performance obligation is transferred to the customer.

The Group plans to adopt the new standard on the required effective date using retrospective approach. The Group has assessed the estimated impact that the initial application of MFRS 15 will have on its consolidated financial statements for the year ended 31 March 2018 and the beginning of the earliest period presented on 1 April 2017 as below. The estimated impact on the initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because the Group is still in the midst of implementing, testing and assessing the controls of the new information technology system.

NOTES TO THE **FINANCIAL STATEMENTS**

cont'd

1. BASIS OF PREPARATION *cont'd*

(a) Statement of compliance *cont'd*

(i) MFRS 15, *Revenue from Contracts with Customers* *cont'd*

Group	Statement of financial position as at 31 March 2018		Statement of financial position as at 1 April 2017	
	As currently stated RM'000	Expected restatement RM'000	As currently stated RM'000	Expected restatement RM'000
Inventories	147,829	126,632	133,581	108,616
Contract assets	-	25,127	-	26,955
Deferred tax liabilities	5,598	6,541	394	872
Retained earnings	280,105	283,092	202,178	203,690

Group	Statement of profit or loss and other comprehensive income for the year ended 31 March 2018	
	As currently stated RM'000	Expected restatement RM'000
Revenue	2,308,458	2,301,198
Cost of goods sold	(2,146,217)	(2,138,729)
Tax expense	(33,258)	(33,312)
Profit for the year	92,527	92,701
Basic earnings per ordinary shares (sen)	8.82	8.83

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required.

The Group has performed an impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group adopts MFRS 9. Based on the assessments of the Directors, the adoption of MFRS 9 will not have significant financial impact to the Group.

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

1. BASIS OF PREPARATION *cont'd*

(a) Statement of compliance *cont'd*

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in Note 5 - Goodwill on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

NOTES TO THE **FINANCIAL STATEMENTS**

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Reverse accounting

On 5 February 2018, the Company completed its acquisition of the entire equity interest in Integrated Manufacturing Solutions ("IMS") and its subsidiaries (collectively referred to as "IMS Group") via the issuance of 1,032,104,348 new ordinary shares of the Company to the shareholders of IMS Group. This acquisition has been accounted for using reverse accounting in accordance with MFRS 3, Business Combinations.

Accordingly, the IMS Group (being the legal subsidiaries in the transaction) is regarded as the accounting acquirer, and the Company (being the legal parent in the transaction) is regarded as the accounting acquiree. In addition, the consolidated financial statements represent a continuation of the financial position, performance and cash flows of the IMS Group. Accordingly, the consolidated financial statements are prepared on the following basis:

(a) the assets and liabilities of the IMS Group are recognised and measured in the statements of financial position of the Group at their pre-acquisition carrying amounts;

(b) the assets and liabilities of the Company and its subsidiaries are recognised and measured in the consolidated statements of financial position at their acquisition-date fair values;

(c) the accumulated profits and other equity balances recognised in the consolidated financial statements are the accumulated profits and other equity balances of the IMS Group immediately before the acquisition;

(d) the amount recognised as issued equity interests in the consolidated financial statements is determined by adding to the issued equity of the IMS Group immediately before the acquisition. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issues) reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the Company to effect the acquisition;

(e) the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 March 2018 reflects the full year results of the IMS Group together with the post-acquisition results of the Company and its subsidiaries; and

(f) the comparative figures presented in these consolidated financial statements are those of the IMS Group, except for its capital structure which is retroactively adjusted to reflect the legal capital of the accounting acquiree.

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(iii) Reverse accounting *cont'd*

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the year ended 31 March 2018 refers to the Group which includes the results of the IMS Group from 1 April 2017 to 31 March 2018 and the post-acquisition results of the Company and its subsidiaries from acquisition date to 31 March 2018. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the year ended 31 March 2017 refer to the results of the IMS Group from 1 April 2016 to 31 March 2017.

The consolidated statement of financial position of the Group as at 31 March 2018 refers to the consolidated statement of financial position of the IMS Group and the Company and its subsidiaries as at 31 March 2018. The consolidated statement of financial position of the Group as at 31 March 2017 refers to the consolidated statement of financial position of the IMS Group.

Separate financial statements of the Company

The above accounting applies only at the consolidated financial statements. In the Company's separate financial statements, investments in the legal subsidiaries (the IMS Group) is accounted for at cost less accumulated impairment losses, if any, in the Company's statements of financial position. The initial cost of the investment in the IMS Group is based on the fair value of the ordinary shares issued by the Company as at the acquisition date.

The statements of financial position of the Company as at 31 March 2018 and 2017 refers to the statements of financial position of the Company.

Further details on accounting of the acquisition are provided in Note 18.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

NOTES TO THE **FINANCIAL STATEMENTS**

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement *cont'd*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 - 50 years
Plant and machinery	6.67 - 10 years
Office furniture and equipment	5 - 10 years
Motor vehicles	5 - 6.67 years
Renovation and electrical installation	6.67 - 10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

NOTES TO THE **FINANCIAL STATEMENTS**

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Leased assets

(i) Finance leases

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Impairment *cont'd*

(ii) Other assets *cont'd*

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Income tax *cont'd*

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(l) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the completion of a physical proportion of the contract work.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

NOTES TO THE **FINANCIAL STATEMENTS**

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(m) Borrowing costs *cont'd*

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(n) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Chairman of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(q) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group’s contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(r) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE **FINANCIAL STATEMENTS**

cont'd

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Office furniture and equipment RM'000	Motor vehicles RM'000	Renovation and electrical installation RM'000	Construction -in-progress RM'000	Total RM'000
Group							
At cost							
At 1 April 2016	18,971	129,475	6,411	2,295	11,119	-	168,271
Additions	16,800	25,679	1,484	663	516	-	45,142
Disposals/Written off	-	(455)	(2)	-	-	-	(457)
At 31 March 2017/1 April 2017	35,771	154,699	7,893	2,958	11,635	-	212,956
Acquisitions (see Note 18)	43,400	12,769	1,793	176	1,521	1,053	60,712
Additions	-	39,334	2,077	1,290	5,425	12,744	60,870
Disposals/Written off	-	(1,457)	(3)	(308)	-	-	(1,768)
Translation differences	-	-	-	-	-	(36)	(36)
At 31 March 2018	79,171	205,345	11,760	4,116	18,581	13,761	332,734
Accumulated depreciation							
At 1 April 2016	4,572	81,594	5,707	1,400	8,203	-	101,476
Depreciation charge	432	8,766	549	151	568	-	10,466
Disposals/Written off	-	(454)	(1)	-	-	-	(455)
At 31 March 2017/1 April 2017	5,004	89,906	6,255	1,551	8,771	-	111,487
Depreciation charge	639	11,477	636	549	736	-	14,037
Disposals/Written off	-	(1,457)	(3)	(308)	-	-	(1,768)
At 31 March 2018	5,643	99,926	6,888	1,792	9,507	-	123,756
Carrying amounts							
At 1 April 2016	14,399	47,881	704	895	2,916	-	66,795
At 31 March 2017/1 April 2017	30,767	64,793	1,638	1,407	2,864	-	101,469
At 31 March 2018	73,528	105,419	4,872	2,324	9,074	13,761	208,978

3.1 Carrying amounts of land and buildings

Included in the carrying amount of land and buildings are:

	Group 2018 RM'000	Group 2017 RM'000
Freehold land	24,082	10,162
Buildings	49,446	20,605
	73,528	30,767

3.2 Security

The freehold land and buildings, plant and machineries of the Group with carrying amounts of RM75,012,265 (2017: RM32,143,222) are charged to licensed banks as securities for bank borrowings as disclosed in Note 11.

3.3 Leased plant and equipment

Included in plant and equipment of the Group are machineries, office equipment and motor vehicles acquired under finance lease agreements with carrying amounts of RM60,418,212 (2017: RM35,094,805).

NOTES TO THE **FINANCIAL STATEMENTS**

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4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	1,253,037	62,557
Less: Impairment losses	(22,110)	(22,110)
	1,230,927	40,447

Details of the subsidiaries are as follows:

Name of entity	Principle place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
Winsheng Plastic Industry Sdn. Bhd. ("WPI")	Malaysia	Manufacturing and sales of precision plastic injection moulded parts, secondary process, sub-assembly, full assembly of finished products, and tooling fabrication	100	100
Lean Teik Soon Sdn. Bhd.	Malaysia	Wholesaler/retailer of foodstuff and consumer goods	100	100
Denko Management Services Sdn. Bhd.	Malaysia	Dormant	100	100
Winsheng Plastic Marketing Sdn. Bhd.	Malaysia	Dormant	100	100
Integrated Manufacturing Solutions Sdn. Bhd. ("IMS")	Malaysia	Investment holding	100	-
Subsidiary of WPI				
PT. Winsheng Plastic and Tooling Industry*	Indonesia	Tooling fabrication and plastic part manufacture	100	100
Subsidiary of IMS				
ATA Industrial (M) Sdn. Bhd. ("AIM")	Malaysia	Manufacturing and sales of precision plastic injection moulded parts and assembly of electrical and electronic components and products	100	-
Jabco Filter System Sdn. Bhd.*	Malaysia	Manufacturing and sales of air filters and sterilizers	100	-
ATA Precision Engineering Sdn. Bhd.*	Malaysia	Design and fabrication of tools and moulds	100	-

* *Not audited by member firm of KPMG International.*

NOTES TO THE **FINANCIAL STATEMENTS**

cont'd

5. GOODWILL ON CONSOLIDATION

	Goodwill/ Total RM'000
Group	
At cost	
At 1 April 2017	-
Acquisition through business combinations	76,414
At 31 March 2018	76,414
Carrying amounts	
At 1 April 2017	-
At 31 March 2018	76,414

Goodwill

During the year, the Company acquired the entire equity interest in IMS Group via the issuance of 1,032,104,348 new ordinary shares of the Company. The acquisition has been accounted for using reverse accounting in accordance with MFRS 3, Business Combinations. Arising from this acquisition, the Group recognised a goodwill of RM76.414 million.

Goodwill represents enhanced scale and synergies expected from the combined business. It is expected that the Group, as enlarged by the acquisition of IMS (the "enlarged group"), will substantially increase its annual production capacity of its plastic injection which would enable the enlarged group to increase its market share in the plastic injection moulding business.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination.

The aggregate carrying amounts of goodwill are allocated as follows:

	Group 2018 RM'000
Manufacture, assembly and sale of plastic injection moulded parts	76,414

The recoverable amount for the goodwill were based on its value in use, determined by discounting the future cash flows to be generated from the CGU and were based on the following key assumptions:

i) Cash flows were projected based on 3-year plan and an estimated terminal value with zero growth rate.

ii) Revenue were projected based on growth rate of 14% - 16% on historical sales performance.

iii) Profit margins were based on historical performance and remain constant throughout the projected period.

iv) A pre-tax discount rate of 13% was applied in determining the recoverable amount. The discount rate was estimated based on the industry's weighted average cost of capital.

Based on management assessment, the recoverable amount of the unit was determined to be higher than its carrying amount and therefore, no impairment loss was recognised.

Based on the sensitivity analysis, any reasonably possible change in the key assumptions applied is not likely to cause the carrying amount of goodwill to exceed its recoverable amount.

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

6. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Group						
Property, plant and equipment - capital allowances	-	-	(10,528)	(3,469)	(10,528)	(3,469)
Trade receivables	13	-	-	-	13	-
Provisions	616	416	-	-	616	416
Inventories	596	707	-	-	596	707
Unutilised reinvestment allowances	2,489	-	-	-	2,489	-
Unrealised exchange differences	1,231	2,184	-	-	1,231	2,184
	4,945	3,307	(10,528)	(3,469)	(5,583)	(162)
Set off of tax	(4,930)	(3,075)	4,930	3,075	-	-
Net tax assets/(liabilities)	15	232	(5,598)	(394)	(5,583)	(162)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2018 RM'000	**2017 RM'000**
Unabsorbed capital allowances	4,940	-
Unutilised tax losses	689	-
Unutilised reinvestment allowances	527	-
	6,156	-

The unabsorbed capital allowances, unutilised tax losses and unutilised reinvestment allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits therefrom.

NOTES TO THE **FINANCIAL STATEMENTS**

cont'd

6. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

Unrecognised deferred tax assets *cont'd*

Movements in temporary differences during the year are as follows:

	At 1 April 2016 RM'000	Recognised in profit or loss (Note 14) RM'000	At 31 March 2017 RM'000	Acquisition through business combination (Note 18) RM'000	Recognised in profit or loss (Note 14) RM'000	At 31 March 2018 RM'000
Group						
Property, plant and equipment						
- Capital allowances	(2,437)	(1,032)	(3,469)	(6,114)	(945)	(10,528)
Trade receivables	-	-	-	16	(3)	13
Provisions	2,442	(2,026)	416	168	32	616
Inventories	1,238	(531)	707	-	(111)	596
Unutilised reinvestment allowances	-	-	-	2,770	(281)	2,489
Unrealised exchange differences	(7,022)	9,206	2,184	(82)	(871)	1,231
	(5,779)	5,617	(162)	(3,242)	(2,179)	(5,583)

7. INVENTORIES

	Group 2018 RM'000	Group 2017 RM'000
Raw materials	92,044	83,383
Work in progress	33,202	27,992
Finished goods	22,583	22,206
	147,829	133,581
Recognised in profit or loss:		
- Inventories recognised as cost of goods sold	2,146,217	1,671,164
- Write-down to net realisable value	276	-

NOTES TO THE **FINANCIAL STATEMENTS**

cont'd

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Trade				
Trade receivables	447,521	368,622	-	-
Non-trade				
Other receivables, deposits and prepayments	53,461	23,224	296	227
Due from a subsidiary	-	-	7,765	742
	53,461	23,224	8,061	969
	500,982	391,846	8,061	969

The amount due from a subsidiary is unsecured, interest free and have no fixed term of repayment.

Included in trade receivables of the Group are RM369,072 (2017: RM248,760) due from companies in which certain Directors have substantial financial interests.

Included in other receivables, deposits and prepayments are:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Due from companies in which certain Directors have substantial financial interests	13	2,295	-	-
Due from Directors	-	295	-	-
Other receivables	20,150	6,397	156	24
Deposits	12,464	3,348	1	1
Prepayments	20,834	10,889	139	202
	53,461	23,224	296	227

The amounts due from Directors and companies in which certain Directors have substantial financial interests are unsecured, interest free and repayable on demand.

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash and bank balances	128,116	126,846	5	14
Fixed deposits with licensed banks	26,712	26,303	-	-
	154,828	153,149	5	14

Included in fixed deposits of the Group are amounts of RM24,693,864 (2017: RM24,508,031) pledged to banks to secure banking facilities granted to the subsidiaries.

Fixed deposits of the subsidiaries amounting to RM16,057,218 (2017: RM18,303,641) are registered in the name of certain Directors held in trust for the subsidiaries.

NOTES TO THE **FINANCIAL STATEMENTS**

cont'd

10. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2018 RM'000	**2017 RM'000**	**2018 '000**	**2017 '000**
Ordinary shares:				
Issued and fully paid				
At 1 April	43,354	41,788	104,469	104,469
Issued for cash under private placements	12,515	-	10,447	-
Issued pursuant to acquisition of IMS Group (Note 10.1)	1,186,920	-	1,032,104	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 10.2)	-	1,566	-	-
At 31 March	1,242,789	43,354	1,147,020	104,469

10.1 During the year, the Company acquired the entire equity interest in IMS Group for total consideration of RM1,186,920,000, satisfied via allotment and issuance of 1,032,104,348 new ordinary shares of the Company at an issue price of RM1.15 each. Accordingly, the IMS Group (being the legal subsidiaries in the transaction) is regarded as the accounting acquirer, and the Company (being the legal parent in the transaction) is regarded as the accounting acquiree. In addition, the consolidated financial statements represent a continuation of the financial position, performance and cash flows of the IMS Group.

10.2 Included in share capital is share premium amounting to RM1,566,419 that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of the Companies Act 2016).

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

10. CAPITAL AND RESERVES *cont'd*

Reserves

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Distributable				
Retained earnings/(Accumulated losses)	280,105	202,178	(4,861)	(2,376)
Non-distributable				
Exchange fluctuation reserve	195	-	-	-
Reverse accounting reserve	(1,104,436)	(37,154)	-	-
	(824,136)	165,024	(4,861)	(2,376)

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital.

Exchange fluctuation reserve

The exchange fluctuation reserve comprise all foreign currency differences arising from the translation of the financial statements of foreign operation.

Reverse accounting reserve

The reverse accounting reserve arose to reflect the equity structure of the Company, including the equity interests issued by the Company to effect the combinations.

NOTES TO THE **FINANCIAL STATEMENTS**

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11. LOANS AND BORROWINGS

	Group	
	2018 **RM'000**	**2017** **RM'000**
Secured		
Non-current		
Finance lease liabilities	18,346	9,061
Term loans	16,656	17,774
	35,002	26,835
Current		
Finance lease liabilities	17,123	13,788
Term loans	8,670	1,053
Bankers' acceptances	91,802	74,674
Revolving credits	5,000	-
Bank overdraft	956	-
	123,551	89,515
	158,553	116,350

Securities

The loans and borrowings are secured by way of:

i) first party legal charges over the properties of the Group;
ii) pledged fixed deposits of the Group;
iii) jointly and severally guaranteed by certain Directors of the Company; and
iv) corporate guarantee by the Company.

Significant covenants

The loans and borrowings of the subsidiaries are subject to specific covenants on that subsidiary as follows:

AIM

i) gearing ratio shall not exceed 2 times; and
ii) dividend declared shall not exceed profit for the year.

WPI

i) gearing ratio shall not exceed 0.6 times;
ii) advances to Directors/Directors' related companies and related companies shall be capped at RM2 million; and
iii) dividend declared shall not exceed 50% of profit for the year.

As at 31 March 2018, WPI has not fulfilled the covenant of maintaining the gearing ratio of not more than 0.6 times and consequently, the entire term loans of WPI has been classified as current liabilities. WPI is in the process of seeking waiver of the debt covenant from the affected licensed bank.

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

11. LOANS AND BORROWINGS *cont'd*

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018			2017		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Group						
Less than one year	18,618	1,495	17,123	14,702	914	13,788
Between one and five years	19,283	937	18,346	9,346	285	9,061
	37,901	2,432	35,469	24,048	1,199	22,849

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	At 1 April 2017 RM'000	Net changes from financing cash flows RM'000	Acquisition of new leases RM'000	Acquisition through business combinations RM'000	At 31 March 2018 RM'000
Group					
Term loans	18,827	(1,113)	-	7,612	25,326
Finance lease liabilities	22,849	(3,585)	9,839	6,366	35,469
Bankers' acceptances	74,674	10,438	-	6,690	91,802
Revolving credits	-	-	-	5,000	5,000
Total liabilities from financing activities	116,350	5,740	9,839	25,668	157,597

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables	399,158	334,000	-	-
Other payables and accrued expenses	107,328	83,100	1,065	452
	506,486	417,100	1,065	452

Included in trade payables of the Group are RM422,283 (2017: RM793,353) due to companies in which certain Directors have substantial financial interests.

NOTES TO THE **FINANCIAL STATEMENTS**

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12. TRADE AND OTHER PAYABLES *cont'd*

Included in other payables and accrued expenses of the Group and the Company are:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Property, plant and equipment creditors	33,555	14,313	-	-
Due to Directors	197	523	-	-
Due to companies in which certain Directors have substantial financial interests	-	544	-	-
Other payables and accrued expenses	73,576	67,720	1,065	452
	107,328	83,100	1,065	452

The amounts due to Directors and companies in which certain Directors have substantial financial interest are unsecured, interest free and have no fixed terms of repayment.

13. DERIVATIVES FINANCIAL LIABILITIES

	Group		Company	
	2018		2017	
	Nominal value RM'000	**Financial liabilities RM'000**	**Nominal value RM'000**	**Financial liabilities RM'000**
Derivatives held for trading at fair value through profit or loss				
- Forward exchange contracts	43,171	370	65,559	-

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. When necessary, the forward contracts are rolled over at maturity.

NOTES TO THE **FINANCIAL STATEMENTS**
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14. TAX EXPENSE

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current tax expense				
- Current year	29,093	22,803	-	-
- Prior years	1,986	196	-	-
	31,079	22,999	-	-
Deferred tax expense/(income)				
- Origination and reversal of temporary differences	3,818	(5,627)	-	-
- (Over)/Under provision in prior years	(1,639)	10	-	-
	2,179	(5,617)	-	-
	33,258	17,382	-	-
Reconciliation of tax expense				
Profit/(Loss) before tax	125,785	96,510	(2,485)	(4,630)
Income tax calculated using Malaysian tax rate of 24%	30,188	23,162	(596)	(1,111)
Tax saving from reduction in tax rate*	(20)	(1,972)	-	-
Non-deductible expenses	3,992	2,947	596	1,783
Non-taxable income	(1,243)	(6,961)	-	(672)
Effect of unrecognised deferred tax assets	(6)	-	-	-
	32,911	17,176	-	-
Under provision in prior years	347	206	-	-
Tax expense	33,258	17,382	-	-

* *A subsidiary of the Group is entitled to reduction in corporate income tax from 1% to 4% based on percentage of increment of chargeable business income compared with the preceding year of assessment in accordance with the Income Tax (Exemption) (No. 2) Order 2017.*

NOTES TO THE **FINANCIAL STATEMENTS**

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15. PROFIT/(LOSS) FOR THE YEAR

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit/(Loss) for the year is arrived at after charging/(crediting)				
Audit fee:				
- KPMG in Malaysia	295	130	70	-
- Other auditors	44	30	-	26
Non-audit fees:				
- KPMG in Malaysia	-	-	245	-
- Other auditors	83	34	140	4
Depreciation	14,037	10,466	-	-
Fair value loss on derivative instruments	370	-	-	-
Personnel expenses (including key management personnel):				
- Contribution to state plans	4,582	3,339	-	-
- Wages, salaries and others	183,382	154,306	150	271
Rental of:				
- Land and buildings	9,982	10,235	-	-
- Plant and equipment	2,272	1,077	-	-
Bad debts written off	-	61	-	-
Foreign exchange:				
- Realised gain	(17,561)	(10,543)	-	-
- Unrealised loss	1,138	17,125	-	-
Gain on disposal of property, plant and equipment	(184)	(13)	-	-
Inventories:				
- Reversal of slow moving	(2,621)	(282)	-	-
- Written down to net realisable value	276	-	-	-
(Reversal of)/Impairment loss on:				
- Trade receivables	(1,060)	-	-	-
- Investment in subsidiaries	-	-	-	6,642

16. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

Due to the business acquisitions during the financial year, the earnings per ordinary shares has been restated and reflects the results of IMS Group, till the date of the acquisition, and the results of the Group from the date of the acquisition.

The number of ordinary shares outstanding from the beginning of the year to the acquisition date for purpose of calculating the weighted average number of ordinary shares is deemed to be the number of ordinary shares issued by the Company for the acquisition, and the number of ordinary shares outstanding from the acquisition date to the end of the year is the actual number of ordinary shares of the Company outstanding during the financial year. The number of ordinary shares issued by the Company for the acquisition is used in the calculation of weighted average number of ordinary shares for the financial year ended 31 March 2017.

	Group	
	2018 RM'000	**2017 RM'000**
Profit for the year attributable to owners	92,527	79,128

NOTES TO THE **FINANCIAL STATEMENTS**
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16. EARNINGS PER ORDINARY SHARE *cont'd*

Basic earnings per ordinary share *cont'd*

Weighted average number of ordinary shares are determined as follows:

	Group	
	2018 **'000**	**2017** **'000**
Weighted average number of ordinary shares at 31 March	1,049,420	1,032,104
Basic earnings per ordinary share (sen)	8.82	7.67

Diluted earnings per ordinary share

The diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares outstanding.

17. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment represent:

	Group	
	2018 **RM'000**	**2017** **RM'000**
Current year's additions of property, plant and equipment	60,870	45,142
Less: Amount financed by hire purchase	(9,839)	(9,804)
Less: Balances in respect of acquisition of property, plant and equipment included in other creditors		
- at end of year	(33,555)	(14,313)
- at beginning of year	14,313	4,693
Cash used in acquisition of property, plant and equipment	31,789	25,718

18. ACQUISITION OF SUBSIDIARIES

On 5 February 2018, the Company completed its acquisition of the entire equity interest in Integrated Manufacturing Solutions ("IMS") and its subsidiaries (collectively referred to as "IMS Group") via the issuance of 1,032,104,348 new ordinary shares of the Company to the shareholders of IMS Group. The acquisition of IMS Group was undertaken as part of the Company's plastic injection moulding business expansion strategy to grow its revenue and customer base as well as to expand its production capacity. This acquisition has been accounted for using reverse accounting as described in Note 2(a) basis of consolidation.

The consideration of the acquisition was determined in accordance with MFRS 3, Business Combinations on the basis of the fair value of IMS Group on the date of completion and the number of new ordinary shares IMS would have to issue to the equity holders of the Company to provide the same percentage ownership interest of the combined entity.

From the date of acquisition, accounting acquiree has contributed revenue of RM17,559,000 and net profit of RM605,000 to the Group. If the business combination had taken place at the beginning of the financial year, the consolidated revenue would have been RM2,409,301,000 and the consolidated net profit for the Group would have been RM85,707,000.

NOTES TO THE **FINANCIAL STATEMENTS**
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18. ACQUISITION OF SUBSIDIARIES *cont'd*

The fair value of the assets and liabilities arising from the acquisition are as follows:

Identifiable assets acquired and liabilities assumed

	2018 RM'000
Property, plant and equipment	60,712
Inventories	17,862
Trade and other receivables	37,508
Tax recoverable	241
Cash and cash equivalents	3,108
Trade and other payables	(34,782)
Loans and borrowings	(25,668)
Deferred tax liabilities	(3,242)
Net assets acquired	55,739
Goodwill on consolidation	76,414
Consideration effectively transferred	132,153
Net cash from arising from acquisition:	
Cash and cash equivalents acquired	3,108

The fair value of trade and other receivables is RM37,508,000 and includes trade receivables with a fair value of RM21,174,000. The gross contractual amount for trade receivables due is RM23,497,000, of which RM2,323,000 is allowance for impairment losses of trade receivables.

Included in property, plant and equipment is fair value of land and buildings amounting to RM43,400,000, derived based on valuation report by an independent professional valuer.

One of the acquired subsidiaries has unrecognised deferred tax assets amounting to RM6,156,000 (refer Note 6). The deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the subsidiary can utilise the benefits therefrom.

Acquisition-related costs of RM3,560,760 have been charged to other expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which they relate to.

The goodwill is attributable mainly to the expected synergies to be achieved from integrating the Company and its subsidiaries into the existing business of IMS Group. None of the goodwill is expected to be deductible for income tax purposes.

NOTES TO THE **FINANCIAL STATEMENTS**
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19. OPERATING SEGMENTS

The Group is principally involved in manufacturing and sales of precision plastic injection of moulded parts, secondary process, sub assembly, full assembly of the finished products to the electronic industry and are predominantly carried out in Malaysia. Segmental information is not prepared as the food trading segment has not met the quantitative thresholds for reporting segment in 2018 and 2017.

Major customers

The following is the major customer with revenue equal to or more than 10 percent of the Group's total revenue:

	Revenue RM'000
2018	
Customer A	1,912,672
2017	
Customer A	1,469,761

20. CAPITAL COMMITMENTS

	Group	
	2018 RM'000	**2017 RM'000**
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for	46,174	4,242

21. CONTINGENT LIABILITIES

	Group		**Company**	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Unsecured				
Corporate guarantees given to financial institutions for banking facilities of subsidiaries	-	-	29,775	27,230
Corporate guarantee given to financial institutions for banking facilities granted to a Company in which certain Directors have substantial financial interests	-	7,230	-	-

NOTES TO THE **FINANCIAL STATEMENTS**

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22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Financial liabilities measured at amortised cost ("FL"); and
(c) Fair value through profit or loss ("FVTPL"):
- Held for trading ("HFT").

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL -HFT RM'000
Group			
2018			
Financial assets			
Trade and other receivables	480,148	480,148	-
Cash and cash equivalents	154,828	154,828	-
	634,976	634,976	-
Financial liabilities			
Trade and other payables	(506,486)	(506,486)	-
Loans and borrowings	(158,553)	(158,553)	-
Derivative financial liabilities	(370)	-	(370)
	(665,409)	(665,039)	(370)
2017			
Financial assets			
Trade and other receivables	380,957	380,957	-
Cash and cash equivalents	153,149	153,149	-
	534,106	534,106	-
Financial liabilities			
Trade and other payables	(417,100)	(417,100)	-
Loans and borrowings	(116,350)	(116,350)	-
Dividend payable	(32,255)	(32,255)	-
	(565,705)	(565,705)	-
Company			
2018			
Financial assets			
Other receivables and deposits	7,922	7,922	-
Cash and cash equivalents	5	5	-
	7,927	7,927	-
Financial liabilities			
Trade and other payables	(1,065)	(1,065)	-

NOTES TO THE **FINANCIAL STATEMENTS**
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22. FINANCIAL INSTRUMENTS *cont'd*

22.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
Company			
2017			
Financial assets			
Other receivables and deposits	767	767	-
Cash and cash equivalents	14	14	-
	781	781	-
Financial liabilities			
Trade and other payables	(452)	(452)	-

22.2 Net gains and losses arising from financial instruments

	Group	
	2018 RM'000	**2017 RM'000**
Net gains/(losses) on:		
Loans and receivables	3,955	2,220
Financial liabilities measured at amortised cost	10,238	(11,039)
Fair value through profit or loss		
- Held for trading	(370)	-
	13,823	(8,819)

22.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

NOTES TO THE **FINANCIAL STATEMENTS**

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22. FINANCIAL INSTRUMENTS *cont'd*

22.4 Credit risk *cont'd*

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

The Group trades extensively with established customers which the Group has a long standing business relationship. As at the end of the reporting period, the Group's largest customer constitute approximately 76% (2017: 73%) of total trade receivables. The customer does not have any significant outstanding balances exceeding its normal credit terms as at the end of the reporting period.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2018			
Not past due	102,106	-	102,106
Past due 0 - 30 days	173,766	-	173,766
Pas due 31 - 90 days	169,640	(124)	169,516
Past due more than 90 days	3,272	(1,139)	2,133
	448,784	(1,263)	447,521
2017			
Not past due	303,049	-	303,049
Past due 0 - 30 days	64,223	-	64,223
Pas due 31 - 90 days	907	-	907
Past due more than 90 days	443	-	443
	368,622	-	368,622

NOTES TO THE **FINANCIAL STATEMENTS**
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22. FINANCIAL INSTRUMENTS *cont'd*

22.4 Credit risk *cont'd*

Receivables *cont'd*

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2018 RM'000	2017 RM'000
Group		
At 1 April	-	-
Through acquisitions of subsidiaries	2,323	-
Impairment loss reversed	(1,060)	-
At 31 March	1,263	-

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks and credit financing companies in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM29,774,779 (2017: RM27,229,708) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Balances due from a subsidiary

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to a subsidiary. The Company monitors the results of the subsidiary regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the amount due from a subsidiary is not recoverable.

NOTES TO THE **FINANCIAL STATEMENTS**

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22. FINANCIAL INSTRUMENTS *cont'd*

22.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables and loans and borrowings.

The Group and the Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2018							
Non-derivative financial liabilities							
Secured bank overdraft	956	7.95	956	956	-	-	-
Secured bankers' acceptances	91,802	4.17 - 4.68	91,802	91,802	-	-	-
Secured revolving credits	5,000	5.61 - 6.06	5,000	5,000	-	-	-
Secured finance lease liabilities	35,469	2.46 - 5.00	37,901	18,618	13,121	6,119	43
Secured term loans	25,326	4.85 - 7.42	33,851	3,224	3,201	9,520	17,906
Trade and other payables	506,486	-	506,486	506,486	-	-	-
	665,039		675,996	626,086	16,322	15,639	17,949
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	370	-	43,541	43,541	-	-	-
Inflow	-	-	(43,171)	(43,171)	-	-	-
	665,409		676,366	626,456	16,322	15,639	17,949

NOTES TO THE **FINANCIAL STATEMENTS**
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22. FINANCIAL INSTRUMENTS *cont'd*

22.5 Liquidity risk *cont'd*

Maturity analysis cont'd

	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2017							
Non-derivative financial liabilities							
Secured bankers' acceptances	74,674	3.81 - 4.89	74,674	74,674	-	-	-
Secured term loans	18,827	4.85 - 5.25	20,038	1,263	1,359	4,908	12,508
Secured finance lease liabilities	22,849	2.46 - 3.60	24,048	14,702	7,855	1,491	-
Trade and other payables	417,100	-	417,100	417,100	-	-	-
Dividend payable	32,255	-	32,255	32,255	-	-	-
Financial guarantee	7,230	-	7,230	7,230	-	-	-
	572,935		575,345	547,224	9,214	6,399	12,508
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	-	-	65,559	65,559	-	-	-
Inflow	-	-	(65,559)	(65,559)	-	-	-
	572,935		575,345	547,224	9,214	6,399	12,508
Company							
2018							
Non-derivative financialliabilities							
Trade and other payables	1,065	-	1,065	1,065	-	-	-
Financial guarantees*	-	-	29,775	29,775	-	-	-
	1,065		30,840	30,840	-	-	-
2017							
Non-derivative financial liabilities							
Trade and other payables	452	-	452	452	-	-	-
Financial guarantees*	-	-	27,230	27,230	-	-	-
	452		27,682	27,682	-	-	-

* *The amount represents the outstanding banking facilities of a subsidiary as at the end of the reporting period.*

NOTES TO THE **FINANCIAL STATEMENTS**
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22. FINANCIAL INSTRUMENTS *cont'd*

22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of Group entities. The currencies giving rise to this risk are primarily US Dollar ("USD"), Singapore Dollar ("SGD") and Japanese Yen ("JPY").

Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contracts from time to time to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of Group entities) risk, based on carrying amounts as at the end of the reporting period was:

		Denominated in	
	USD RM'000	**SGD RM'000**	**JPY RM'000**
Group			
2018			
Trade and other receivables	10,650	259	-
Cash and cash equivalents	3,843	152	-
Trade and other payables	(100,779)	(3,851)	(2,379)
	(86,286)	(3,440)	(2,379)
2017			
Trade and other receivables	16,735	117	-
Cash and cash equivalents	4,056	4	3
Trade and other payables	(185,950)	(2,551)	(1,787)
	(165,159)	(2,430)	(1,784)

Currency risk sensitivity analysis

A 10% (2017: 10%) strengthening of Ringgit Malaysia against the following currencies at the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

NOTES TO THE **FINANCIAL STATEMENTS**
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22. FINANCIAL INSTRUMENTS *cont'd*

22.6 Market risk *cont'd*

Currency risk sensitivity analysis cont'd

	Profit or loss	
	2018 RM'000	**2017 RM'000**
Group		
USD	6,558	12,552
SGD	261	185
JPY	181	136
	7,000	12,873

A 10% (2017: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

Exposure to interest risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptable level.

Exposure to interest rate risk, credit quality and collateral

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group/Company	
	2018 RM'000	**2017 RM'000**
Fixed rate instruments		
Financial assets	26,712	26,303
Financial liabilities	(132,271)	(97,523)
	(105,559)	(71,220)
Floating rate instruments		
Financial liabilities	(26,282)	(18,827)

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

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22. FINANCIAL INSTRUMENTS *cont'd*

22.6 Market risk *cont'd*

Interest rate risk *cont'd*

Interest rate risk sensitivity analysis cont'd

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by RM200,000 (2017: RM143,000) This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

22.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of floating rate term loan approximates fair value as its effective interest rate changes accordingly to movements in market interest rate.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value Level 2 RM'000	Fair value of financial instruments not carried at fair value Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Group				
2018				
Financial liabilities				
Finance lease liabilities	-	(35,756)	(35,756)	(35,469)
Forward exchange contracts	(370)	-	(370)	(370)
	(370)	(35,756)	(36,126)	(35,839)
2017				
Financial liabilities				
Finance lease liabilities	-	(22,606)	(22,606)	(22,849)

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract provided by the bank.

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

NOTES TO THE **FINANCIAL STATEMENTS**
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22. FINANCIAL INSTRUMENTS *cont'd*

22.7 Fair value information *cont'd*

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date.

23. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and maintain an optimal capital and liquidity ratio that complies with debt covenants and regulatory requirements.

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

24. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its shareholders, subsidiaries and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group are shown below. The balances related to the below transactions are shown in Notes 8 and 12.

	Group	
	2018	**2017**
	RM'000	**RM'000**
A. Companies in which the Directors of the Company have substantial financial interest		
Sales	955	-
Purchases	12,826	1,759

NOTES TO THE **FINANCIAL STATEMENTS**
cont'd

24. RELATED PARTIES *cont'd*

Significant related party transactions *cont'd*

	Group	
	2018	**2017**
	RM'000	**RM'000**
B. Key management personnel		
Directors		
- Remuneration	6,392	4,051
- Contribution to state plans	686	487
Total short-term employee benefits	7,078	4,538
Other key management personnel		
- Wages, salaries and others	2,278	3,402
- Contributions to state plans	274	339
	2,552	3,741
	9,630	8,279

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

25. CHANGE OF NAME

On 24 July 2018, the Company changed its name from Denko Industrial Corporation Berhad to ATA IMS Berhad.

STATEMENT BY **DIRECTORS**
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 51 to 99 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dato' Sri Foo Chee Juan
Director

Dato' Fong Chiu Wan
Director

Date: 24 July 2018

STATUTORY **DECLARATION**
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Loh Choo Shien**, the officer primarily responsible for the financial management of ATA IMS BERHAD (formerly known as DENKO INDUSTRIAL CORPORATION BERHAD), do solemnly and sincerely declare that the financial statements set out on pages 51 to 99 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above named Loh Choo Shien, NRIC: 741126-01-6517, MIA CA 22027, at Johor Bahru in the State of Johor on 24 July 2018.

Before me:

Lau Lay Sung
Commissioner For Oaths
J-246

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF ATA IMS BERHAD
(FORMERLY KNOWN AS DENKO INDUSTRIAL CORPORATION BERHAD)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of ATA IMS Berhad (formerly known as Denko Industrial Corporation Berhad), which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 99 .

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition of Integrated Manufacturing Solutions Sdn. Bhd. and its subsidiaries ("IMS Group")

Refer to Note 2(a)(iii) - Significant accounting policies: Reverse accounting and Note 18 Acquisition of subsidiaries.

The key audit matter

During the year, the Group acquired the entire equity interest in IMS Group for a total consideration of RM1,186,920,000. The business combination is identified as a key audit matter because of the relative size and significance of the acquisition to the Group and the determination of fair values of the assets and liabilities assumed involves a significant degree of the Group's judgement, including identification and valuation of intangible assets, tangible fixed assets, liabilities and the attributable goodwill.

How the matter was addressed in our audit:

Our audit procedures performed in this area included, amongst others:

- We compared the accounting treatment with the requirements of MFRS 3 Business Combinations.
- We assessed the valuation methods adopted in determining the fair values of identifiable assets and liabilities assumed and evaluated the evidence to support the inputs by comparing with internal and external sources.
- We assessed the adequacy and appropriateness of the disclosures of the acquisition made in the financial statements.

Goodwill impairment assessment

Refer to Note 2(f) - Significant accounting policies: Intangible assets and Note 5 Goodwill on consolidation.

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF ATA IMS BERHAD
(FORMERLY KNOWN AS DENKO INDUSTRIAL CORPORATION BERHAD)
cont'd

THE KEY AUDIT MATTER

Arising from the acquisition of IMS Group, the Group has recognised a significant amount of goodwill of RM76 million, predominantly allocated to the cash generating unit ("CGU") that is expected to benefit from synergies of the business combination.

The Group conducted an impairment assessment on the CGU to identify if the recoverable amount is less than the carrying amount, indicating that the goodwill may be impaired. The Group determined the recoverable amount of the CGU based on its value-in-use, using discounted cash flows projections in which the Directors made judgements over certain key inputs, including revenue growth rates, profit margin, discount rates and terminal value growth rates.

We identified this as a key audit matter because of the significance of the consideration paid for the acquisition of IMS Group, which resulted in the recognition of a significant amount of goodwill on acquisition in the financial statements. The estimation of the recoverable amount is based on forecasting and discounting future cash flows, which are inherently judgemental.

How the matter was addressed in our audit:

Our audit procedures performed in this area included, amongst others:

- We obtained the cash flows projections performed by the Group and considered whether there were material inconsistencies with the approved business plans and forecasts.

- We assessed the appropriateness of key assumptions used in particular those relating to revenue growth rates, profit margin, discount rates and terminal value applied to the cash flows projections, by comparing to the historical and current performance, internal business plans and forecasts and externally derived market data.

- We evaluated the Group's sensitivity analyses around the key assumptions including revenue growth rates, profit margin, discount rates and terminal value growth rates to the extent of the change that would result the assets to be impaired.

- We also assessed the Group's disclosures on the CGU's key assumptions used and sensitivity of the outcome of the impairment assessment to changes in key assumptions and determined whether the disclosures reflected the risks inherent in the valuation of goodwill.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF ATA IMS BERHAD
(FORMERLY KNOWN AS DENKO INDUSTRIAL CORPORATION BERHAD)
cont'd

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF ATA IMS BERHAD
(FORMERLY KNOWN AS DENKO INDUSTRIAL CORPORATION BERHAD)
cont'd

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 4 to the financial statements.

OTHER MATTERS

1. The financial statements of the Group and of the Company as at and for the year ended 31 March 2017 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 10 July 2017.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

CHAN YEN ING
Approval Number: 03174/04/2019 J
Chartered Accountant

Johor Bahru

Date: 24 July 2018

ANALYSIS OF **SECURITIES**
AS AT 29 JUNE 2018

ORDINARY SHARE AS AT 29 JUNE 2018

Issued and Paid-Up Capital : RM1,242,789,227
Class of Shares : Ordinary Shares
Voting Rights : One Vote Per Ordinary Share

DISTRIBUTION OF SHAREHOLDING AS AT 29 JUNE 2018

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	776	13.210	33,566	0.002
100 – 1,000	3,740	63.670	1,474,661	0.129
1,001 – 10,000	848	14.437	2,962,099	0.258
10,001 – 100,000	300	5.108	10,777,325	0.940
100,001 – 57,350,998 (*)	207	3.524	272,049,400	23.718
57,350,999 and above (**)	3	0.051	859,722,948	74.953
TOTAL	**5,874**	**100.00**	**1,147,019,999**	**100.00**

*Remarks: * Less than 5% of issued shares*
*** 5% and above of issued shares*

DIRECTORS' SHAREHOLDINGS AS AT 29 JUNE 2018

	No. of Shares Held			
DIRECTOR	**Direct Interest**	**%**	**Indirect Interest**	**%**
DATO' SRI FOO CHEE JUAN	-	-	406,155,707*	35.409
DATO' FONG CHIU WAN	348,476,757	30.381	-	-
BALACHANDRAN A/L GOVINDASAMY	-	-	103,210,434^	8.998
KOH WIN TON	-	-	-	-
WONG CHIN CHIN	-	-	-	-
LEE KOK JONG	-	-	-	-

*Note: * Deemed interested in the shares held by Oregon Technology Sdn. Bhd. ("Oregon") by virtue of his interest in Oregon.*
^ Deemed interested in the shares held by PP Tech Limited ("PPTech") by virtue of his interest in PPTech.

SUBSTANTIAL SHAREHOLDERS AS AT 29 JUNE 2018

	No. of Shares Held			
SUBSTANTIAL SHAREHOLDERS	**Direct Interest**	**%**	**Indirect Interest**	**%**
OREGON TECHNOLOGY SDN BHD	406,155,707	35.409	-	-
DATO' SRI FOO CHEE JUAN	-	-	406,155,707*	35.409
DATO' FONG CHIU WAN	348,476,757	30.381	-	-
CITIGROUP NOMINEES (ASING) SDN BHD - EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED	105,090,484	9.162	-	-
BALACHANDRAN A/L GOVINDASAMY	-	-	103,210,434^	8.998

*Note: * Deemed interested in the shares held by Oregon Technology Sdn. Bhd. ("Oregon") by virtue of his interest in Oregon.*
^ Deemed interested in the shares held by PP Tech Limited ("PPTech") by virtue of his interest in PPTech.

ANALYSIS OF **SECURITIES**

AS AT 29 JUNE 2018

cont'd

TOP THIRTY SHAREHOLDERS AS AT 29 JUNE 2018

NO.	NAME	HOLDINGS	%
1	OREGON TECHNOLOGY SDN BHD	406,155,707	35.410
2	FONG CHIU WAN	348,476,757	30.381
3	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED*	105,090,484	9.162
4	KENANGA NOMINEES (ASING) SDN BHD *EXEMPT AN FOR PHILLIP SECURITIES PTE LTD*	31,980,400	2.788
5	HSBC NOMINEES (ASING) SDN BHD *HSBC BK PLC FOR ASIA EX JAPAN EQUITY SMALLER COMPANIES*	25,942,300	2.262
6	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT OPPORTUNITY FUND*	13,972,000	1.218
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	9,856,000	0.859
8	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK*	9,136,600	0.797
9	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT ASIA (EX JAPAN) QUANTUM FUND*	9,135,800	0.796
10	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK*	5,975,700	0.521
11	HONG LEONG ASSURANCE BERHAD *AS BENEFICIAL OWNER*	5,883,000	0.513
12	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC*	5,420,700	0.473
13	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *THE BANK OF NEW YORK MELLON FOR THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM*	5,389,400	0.470
14	HSBC NOMINEES (ASING) SDN BHD *HSBC TUB AG FOR HSHK ASIAN SMALL CAPS*	4,934,800	0.430
15	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD*	4,313,000	0.376
16	CARTABAN NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND*	4,219,300	0.368
17	AMSEC NOMINEES (ASING) SDN BHD *KGI SECURITIES (SINGAPORE) PTE LTD FOR LIM CHOON HOCK*	4,129,500	0.360
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG PERSARAAN (DIPERBADANKAN)*	4,061,100	0.354
19	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD*	3,898,700	0.340
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC DALI EQUITY FUND*	3,522,000	0.307
21	AMANAHRAYA TRUSTEES BERHAD *FOR CIMB ISLAMIC DALI ASIA PACIFIC EQUITY GROWTH FUND*	3,477,700	0.303
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR CHAN CHOUN SIEN*	3,437,000	0.300
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG PERSARAAN (DIPERBADANKAN)*	3,306,100	0.288
24	HONG LEONG ASSURANCE BERHAD *AS BENEFICIAL OWNER*	3,100,000	0.270

ANALYSIS OF **SECURITIES**

AS AT 29 JUNE 2018

cont'd

TOP THIRTY SHAREHOLDERS AS AT 29 JUNE 2018 *cont'd*

NO.	NAME	HOLDINGS	%
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	2,989,400	0.261
26	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD*	2,938,900	0.256
27	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD*	2,864,800	0.250
28	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD*	2,600,000	0.227
29	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *EXEMPT AN FOR KUMPULAN SENTIASA CEMERLANG SDN BHD*	2,368,000	0.206
30	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR AFFIN HWANG AIIMAN GROWTH FUND*	2,239,100	0.195
	TOTAL	**1,040,814,248**	**90.741**

LIST OF **PROPERTIES**

Item	Title	Location	Tenure	Description	Land Area/ Built-up Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Aquisition
1)	H.S. (D) 251643 P.T.D. 62917 Mukim of Tebrau, District of Johor Bahru	16, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru	Freehold	2 Storey and 5 Storey detached factory	2.4 acres/12,616m^2	21	18,840	31-Jan-18
2)	H.S. (D) 187269 P.T.D. 62921 Mukim of Tebrau, District of Johor Bahru	18, Jalan Hasil Satu, 81200 Tampoi, Johor Bahru, Johor	Freehold	2 Storey Office cum Factory	1 acre/4,100m^2	22	24,412	31-Jan-18
3)	H.S. (D) 187268 P.T.D. 62920 Mukim of Tebrau, District of Johor Bahru	20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor	Freehold	5 Storey Office cum Factory	1.1 acres/15,244m^2	19		
4)	HSD187267 PTD62919 Mukim of Tebrau, District of Johor Bahru	No. 15, Jalan Bayu, Tampoi, 81200 Johor Bahru, Johor	Freehold	2 Storey detached factory with office	1.2 acres/5,913m^2	20	6,216	20-Nov-09
5)	HSD187266 PTD62918 Mukim of Tebrau, District of Johor Bahru	No. 9, Jalan Hasil Satu, Tampoi, 81200 Johor Bahru, Johor	Freehold	Single Storey detached factory with office	1 acre/3,351m^2	22	3,284	25-Jan-96
6)	HSD187264 PTD62916 Mukim of Tebrau, District of Johor Bahru	No. 7, Jalan Hasil Satu, Tampoi, 81200 Johor Bahru, Johor	Freehold	2 Storey detached factory with office	1 acre/3,308m^2	22	4,388	20-Apr-99
7)	LOT 1534 GERAN 92344 Mukim of Tebrau, District of Johor Bahru	No. 6, Jalan Dewani 1, Kawasan Perindustrian Temenggong, 81100 Johor Bahru, Johor	Freehold	5 Storey detached factory with office	1.55 acres/17,516m^2	20	16,388	17-Mar-16

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT THE TWENTY-NINETH (29TH) ANNUAL GENERAL MEETING OF **ATA IMS BERHAD** (formerly known as Denko Industrial Corporation Berhad), WILL BE HELD AT THE CONFERENCE ROOM ATA SITE 20, NO. 6, JALAN DEWANI 1, KAWASAN PERINDUSTRIAN TEMENGGONG, 81100 JOHOR BAHRU ON TUESDAY, 28 AUGUST 2018 AT 2:30 PM FOR THE FOLLOWING PURPOSES:

A G E N D A

Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 March, 2018 and the Reports of the Directors and Auditors thereon.	*Please refer to Explanatory Note 8 (a) (i)*
2.	To approve the Directors' fees of RM300,000-00 for the financial year ending 31 March 2019.	*Resolution 1*
3.	To re-elect the following retiring Directors in accordance with the Company's Consitution:-	
	(i) Dato' Sri Foo Chee Juan - Article 102	*Resolution 2*
	(ii) Mr. Lee Kok Jong - Article 109	*Resolution 3*
	(iii) Dato' Fong Chiu Wan - Article 109	*Resolution 4*
	(iv) Mr. Balachandran a/l Govindasamy - Article 109	*Resolution 5*
4.	To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	*Resolution 6*

Special Business

To consider and if thought fit, to pass the following Ordinary and Special Resolutions:

5. ORDINARY RESOLUTION
- AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 *Resolution 7*

"That pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant government/regulatory authorities, the Directors be and hereby authorised to allot and to issue shares in the Company, from time to time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10 per centum of the total issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

6. ORDINARY RESOLUTION
- PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH THE RELATED PARTIES AS DISCLOSED UNDER PARAGRAPH 4.3 OF THE CIRCULAR TO SHAREHOLDERS *Resolution 8*

"THAT approval be and is hereby given pursuant to Paragraph 10.09 and Practice Note 12 of the Bursa Malaysia Main Market Listing Requirements for the Company and its subsidiaries to enter into the category of Recurrent Related Party Transactions of a revenue or trading nature as set out in Paragraph 4.2 of the Circular to Shareholders dated 30 July 2018 with those Related Parties as set out in paragraph 4.3 which are necessary for their day-to-day operations, in the ordinary course of business made on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders; AND THAT the authority conferred by this Mandate shall commence immediately upon the passing of this Resolution and is subject to annual renewal. In this respect, the authority shall continue to be in force until:

NOTICE OF **ANNUAL GENERAL MEETING**
cont'd

i. the conclusion of the next Annual General Meeting of the Company at which time the authority will lapse unless the Authority is renewed by a Resolution passed at that Annual General Meeting;

ii. the expiration of the period within which the next Annual General Meeting after that date, is required to be held pursuant to Section 340 of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to section 340 of the Companies Act 2016; or

iii. revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;"

7. To transact any other ordinary business of which due notice shall have been given.

BY ORDER OF THE BOARD,

YONG MAY LI (f) (LS0000295)
WONG CHEE YIN (f) (MAICSA 7023530)

Company Secretaries
Johor Bahru

Dated: 30 July 2018

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 67(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 20 August 2018. Only members whose names appear therein shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on his/her behalf.*

2. *A member entitled to attend and vote at the meeting may appoint a proxy to vote in his stead. A proxy may but need not be a member of the Company. Where a member appoints more than 1 proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

3. *In the case of a corporation, this proxy should be executed under its Common Seal or under the hand of officer or attorney of the corporation duly authorised in writing on its behalf.*

4. *Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

5. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

6. *The proxy form and the Power of Attorney or other authority (if any) under which it is signed or notarily certified copy thereof must be lodged at the Registered Office, Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor not less than 48 hours before the time appointed for the Meeting.*

7. *Pursuant to Paragraph 8.29(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM shall be put to vote by poll.*

8. *Explanatory Note:*

(a) *Ordinary Business*

(i) Item 1 of Agenda

This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

NOTICE OF **ANNUAL GENERAL MEETING**

cont'd

(b) *Special Business*

(i) ***Resolution No. 7***

- Authority To Issue And Allot Shares Pursuant To Sections 75 And 76 Of The Companies Act 2016

The proposed Resolution No. 7, if passed, is a new General Mandate to empower the Directors to issue and allot shares up to an aggregate amount not exceeding ten per centum (10.0%) of the total issued share capital of the Company for the time being, for the purpose as the Directors consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting. With this authority, the Company will be able to raise capital from the equity market in a shorter period of time and the cost to be incurred will also be lower as the need to convene an Extraordinary General Meeting will be dispensed with.

The General Mandate will provide flexibility to the Company for any possible fund raising activities including but not limited to further placing of shares, for the purpose of funding future investment project (s) working capital and/or acquisition.

The Company has issued 10,446,800 shares under the mandate granted to the Directors at the last Annual General Meeting of the Company held on 23 August 2017 and which will lapse at the conclusion of the 29th Annual General Meeting of the Company.

(ii) ***Resolution 8***

- Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

The proposed Resolution No. 8, if passed, will authorise the Company and each of its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature in their ordinary course of business. This authority, unless revoked or varied by the shareholders of the Company at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

STATEMENT ACCOMPANYING THE
NOTICE OF ANNUAL GENERAL MEETING

The Twenty-Nineth (29th) Annual General Meeting of ATA IMS Berhad (formerly known as Denko Industrial Corporation Berhad) will be held at the Conference Room of ATA Site 20, No. 6, Jalan Dewani 1, Kawasan Perindustrian Temenggong, 81100 Johor Bahru on Tuesday, 28 August 2018 at 2:30 p.m.

Directors standing for election/re-election

There is no person standing for election as Director of the Company at this Annual General Meeting except for the following Directors who are seeking for re-election at the Twenty-Nineth (29th) Annual General Meeting of the Company as follows:

Name of Director	Article
Dato' Sri Foo Chee Juan	102
Mr. Lee Kok Jong	109
Dato' Fong Chiu Wan	109
Mr. Balachandran a/l Govindasamy	109

Details of the director who is standing for re-election and his shareholdings are set out in the Director's Profile on pages 7 to 8 of the Annual Report.

Information on Board meetings

Details of attendance of directors at board meetings are set out on the Corporate Governance Overview Statement on page 28 of the Annual Report.

The place, date and hour of the Board Meeting are as follow:

Date	Time	Place
18 May 2017	1:30 p.m.	Conference Room at No. 16, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
10 July 2017	12:45 p.m.	Conference Room at No. 16, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
23 August 2017	11:30 a.m.	Conference Room at No. 16, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
23 October 2017	11:00 a.m	Conference Room at No. 16, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
21 November 2017	1:00 p.m.	Conference Room at No. 16, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
21 November 2017	1:55 p.m.	Conference Room at No. 16, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
13 February 2018	11:45 a.m.	Conference Room at No. 16, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
14 March 2018	12:05 p.m.	Conference Room at No. 16, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.

ATA IMS BERHAD
(formerly known as Denko Industrial Corporation Berhad)
(190155-M)

PROXY **FORM**

I/We ____

of ____

being a member of **ATA IMS BERHAD (formerly known as DENKO INDUSTRIAL CORPORATION BERHAD)** hereby appoint:-

Full Name (in Block) and NRIC/Passport No.	Address	Proportion of Shareholdings	
		No. of Shares	%

and/or (delete as appropriate)

Full Name (in Block) and NRIC/Passport No.	Address	Proportion of Shareholdings	
		No. of Shares	%

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Nineth (29th) Annual General Meeting of the Company to be held at THE CONFERENCE ROOM ATA SITE 20, NO. 6, JALAN DEWANI 1, KAWASAN PERINDUSTRIAN TEMENGGONG, 81100 JOHOR BAHRU on TUESDAY, 28 AUGUST 2018 at 2:30 P.M. and at any adjournment thereof.

My/Our Proxy is to vote as indicated below:

	FOR	AGAINST
RESOLUTION 1		
RESOLUTION 2		
RESOLUTION 3		
RESOLUTION 4		
RESOLUTION 5		
RESOLUTION 6		
RESOLUTION 7		
RESOLUTION 8		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his/her discretion).

Signed this _______ day of ____________________ , 2018

No. of Shares Held	
CDS Account No.	

____
Signature of shareholder(s)
Contact No.:

Fold this flap for sealing

Notes:

1. *For the purpose of determining members´ eligibility to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 67(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 20 August 2018. Only members whose name appear therein shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on his/her behalf.*
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AFFIX STAMP

THE COMPANY SECRETARY
ATA IMS BERHAD
(Formerly known as Denko Industrial Corporation Berhad)
(Incorporated in Malaysia) Company No.: 190155-M

Suite 1301, 13th Floor
City Plaza, Jalan Tebrau
80300 Johor Bahru
Johor Darul Tak'zim

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www.denko.com.my

ATA IMS BERHAD
(formerly known as Denko Industrial Corporation Berhad)
(Company No.: 190155-M)

No. 16, Jalan Hasil Dua
Kawasan Perindustrian Jalan Hasil
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